THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

ECM LIBRA FINANCIAL GROUP BERHAD

(Company No. 713570-K)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

(A) PROPOSED ACQUISITION OF:

(I) 50% EQUITY INTEREST IN TP SEPANG SDN BHD, TP INTERNATIONAL PTY LTD, YUMMY KITCHEN SDN BHD AND 40.005% EQUITY INTEREST IN TP HOTEL (FLINDERS) TRUST (TOGETHER WITH 40.005% OF THE RIGHTS AND BENEFITS TO THE TOTAL ADVANCES OWING BY TP HOTEL (FLINDERS) TRUST); AND

(II) TUNE HOTEL PENANG (AS DEFINED HEREIN), TUNE HOTEL KK (AS DEFINED HEREIN) AND THE RIGHTS TO OPERATE AND MAINTAIN TUNE HOTEL KLIA AEROPOLIS (AS DEFINED HEREIN),

FOR AN AGGREGATED PURCHASE CONSIDERATION OF RM88,600,000;

(B) PROPOSED COLLABORATION WITH TUNE HOTELS.COM (BVI) LIMITED IN RESPECT OF THE "TUNE HOTELS.COM" BRAND;

(C) PROPOSED SPECIAL DIVIDEND, SUBJECT TO THE PROPOSED DISPOSALS BECOMING UNCONDITIONAL;

(D) PROPOSED DISPOSAL OF OUR COMPANY'S NON-CORE ASSETS, COMPRISING THE EAST WING AND CENTRE WING OF BANGUNAN ECM LIBRA AND A SEMI-DETACHED RESIDENTIAL PROPERTY, FOR AN AGGREGATED DISPOSAL CONSIDERATION OF RM28,000,000; AND

(E) PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF OUR COMPANY TO INCLUDE THE BUSINESS OF HOTEL OWNERSHIP AND MANAGEMENT

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS (AS DEFINED HEREIN)

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING ("EGM")

Principal Adviser for Part A

CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B

Mercury Securities Sdn Bhd (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The ordinary resolutions in respect of the Proposals will be tabled at an EGM to be held as follows:

Date and time of the EGM	:	Tuesday, 12 December 2017 at 2.30 p.m., or at any adjournment thereof
Venue of the EGM	:	Ground Floor, East Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur
Last day and time for lodging the Form of Proxy	:	Sunday, 10 December 2017 at 2.30 p.m.

The Notice of EGM and the Form of Proxy are set out in this Circular.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon, to reach our registered office at 2nd Floor, West Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur not later than 48 hours before the date and time fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

This Circular is dated 27 November 2017

DEFINITIONS

The following words and abbreviations shall have the following meanings and shall apply throughout this Circular and the accompanying appendices unless the context requires otherwise:

AUD	:	Australian Dollar, the lawful currency of Australia
Bangunan ECM Libra	:	The 3½ storey building with 1 level of sub-basement and 3 levels of basement car parks, known as "Bangunan ECM Libra", located at 8, Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur comprising the East Wing and Centre Wing owned by our Company and the remaining (including the car parks) owned by the ECM Libra Foundation
Bangunan ECM Libra Disposal SPA	:	The sale and purchase agreement dated 4 May 2017 (which has been subsequently amended through the Bangunan ECM Libra Disposal SPA Supplemental Letter) made between our Company with Noblemen for the disposal of the East Wing and Centre Wing of Bangunan ECM Libra, for a disposal consideration of RM24,000,000
Bangunan ECM Libra Disposal SPA Supplemental Letter	:	The supplemental letter dated 26 October 2017 entered between Noblemen and our Company to supplement the Bangunan ECM Libra Disposal SPA
BNM	:	Bank Negara Malaysia
Board	:	The Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
CBD	:	Central Business District
CIMB or Principal Adviser	:	CIMB Investment Bank Berhad
Circular	:	This circular to our shareholders dated 27 November 2017 in relation to the Proposals and the Proposed Special Dividend
Collaboration Agreement	:	The collaboration agreement made between TH (Brandco) and our Company dated 4 May 2017 in respect of the grant of rights by TH (Brandco) to our Company to use and for our Company to grant franchise of the "Tune Hotels.Com" brand as the worldwide master franchisor for new business after the date of completion of the TPRE SPA
Companies Act	:	Companies Act, 2016, including any amendments and re-enactments made thereto from time to time
Consideration Share(s)	:	Collectively, the TPRE Consideration Shares and the Tune Hotel Penang Consideration Shares
Dato' Seri Kalimullah	:	Dato' Seri Kalimullah bin Masheerul Hassan
DCF	:	Discounted cash flow
East Wing and Centre Wing	:	Part of Bangunan ECM Libra, which is the only area owned by our Company and is the subject of the Bangunan ECM Libra Disposal SPA, with further details of the property set out in **Part D of Appendix III** of this Circular
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
ECMLFG Group or our Group	:	Collectively, ECMLFG and its subsidiaries
ECMLFG or our Company	:	ECM Libra Financial Group Berhad
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
EV	:	Enterprise value

Flinders Lane Property	:	The property at Flinders Lane, Melbourne, Victoria, Australia, located to the south western corner of the Melbourne CBD, with dual access provided via frontage to Flinders Lane along the northern boundary and Flinders Street on the southern boundary with a double storey building erected thereon, with further details of the property set out in **Part A of Appendix III** of this Circular
FPE	:	Financial period ended
FYE	:	Financial year ending/ended
Hedgehog	:	Hedgehog Financial Pty Ltd
Henry Butcher	:	Henry Butcher Malaysia Sdn Bhd
Henry Butcher Penang	:	Henry Butcher Malaysia (Penang) Sdn Bhd
Henry Butcher Sabah	:	Henry Butcher Malaysia (Sabah) Sdn Bhd
Issue Price	:	RM0.36 per Consideration Share
KLIA Aeropolis Concession Agreement	:	The concession agreement for the grant of concession rights to THSB to, among others, construct, manage and operate Tune Hotel KLIA Aeropolis made between THSB and Malaysia Airports (Sepang) Sdn Bhd dated 24 April 2008, which has been novated to MAP through an assignment and novation agreement dated 6 May 2009, and subsequently amended through a supplemental agreement dated 25 August 2010
KLIA2	:	Kuala Lumpur International Airport 2
KLIA2 Concession Agreement		The concession agreement made between TPSB and MAP dated 5 April 2013 for the grant of concession rights to TPSB to, among others, construct, manage and operate Tune Hotel KLIA2
Labuan Companies Act	:	Labuan Companies Act, 1990, including any amendments and re-enactments made thereto from time to time
Listing Requirements	:	The Main Market Listing Requirements of Bursa Securities, as amended or modified from time to time
LKO Group	:	Collectively, Garynma MY Capital Limited, Lim Kian Onn and Quek Siow Leng, who are the 26.3% direct shareholders of ECMLFG as at the LPD and who have nominated Noblemen to receive all and any of the dividends that they are entitled to receive pursuant to the Proposed Special Dividend
LPD	:	2 November 2017, being the latest practicable date before the printing of this Circular
m3property	:	m3property (Vic) Pty Ltd
MAHB	:	Malaysia Airport Holdings Berhad
MAP	:	Malaysia Airports (Properties) Sdn Bhd
Mercury Securities or Independent Adviser	:	Mercury Securities Sdn Bhd
NA	:	Net assets
Noblemen	:	Noblemen Holdings Sdn Bhd
PAT	:	Profit after tax
Plato	:	Plato Capital Limited
Proposals	:	Collectively, the Proposed Acquisitions, the Proposed Collaboration, the Proposed Disposals, the Proposed Diversification and the Proposed Provision of Financial Assistance
Proposed Acquisitions	:	Collectively, the Proposed Acquisitions from TPRE and the Proposed Tune Hotels Acquisitions

Proposed Acquisitions from TPRE	:	Proposed acquisition by our Company from TPRE of 50% equity interest in TPSB, TP International and YKSB, and 40.005% equity interest in TP Flinders (together with 40.005% of the rights and benefits to the total advances owing by TP Flinders), for an aggregated purchase consideration of RM57,674,000 pursuant to the TPRE SPA
Proposed Bangunan ECM Libra Disposal	:	Proposed disposal by our Company of the East Wing and Centre Wing of Bangunan ECM Libra to Noblemen for a disposal consideration of RM24,000,000 pursuant to the Bangunan ECM Libra Disposal SPA
Proposed Collaboration	:	Proposed collaboration between TH (Brandco) and our Company to further enhance, promote and develop new franchisees of the "Tune Hotels.Com" brand under the terms and conditions of the Collaboration Agreement
Proposed Disposals	:	Collectively, the Proposed Bangunan ECM Libra Disposal and the Proposed Semi-D Disposal
Proposed Diversification	:	Proposed diversification of the existing principal activities of our Group to include the business of hotel ownership and management
Proposed Plan of Arrangement	:	Collectively, the Proposed TPRE Plan of Arrangement and the Proposed Tune Hotel Penang Plan of Arrangement
Proposed Provision of Financial Assistance	:	Proposed pledging of the 5,000,000 ordinary shares in TPSB to be acquired, the provision by our Company of a corporate guarantee and any other forms of guarantee, indemnity or collateral as may be required by the financier of TPSB, all in proportion to our equity interest in TPSB following the completion of the Proposed Acquisitions from TPRE, details of which are set out in **Sections 2.1 and 3.1** of this Circular
Proposed Semi-D Disposal	:	Proposed disposal by our Company of the Semi-D Property to Noblemen for a disposal consideration of RM4,000,000 pursuant to the Semi-D Disposal SPA
Proposed Special Dividend	:	Proposed special cash dividend by our Company of an amount which will result in our Company's NA being adjusted to approximately RM103.2 million or about RM0.36 per Share
Proposed TPRE Plan of Arrangement	:	The proposed plan of arrangement to be undertaken by THCL with its shareholders pursuant to Section 118 of the Labuan Companies Act involving principally, (i) the reduction in the share capital of THCL through the distribution in specie of the redeemable preference shares of TPRE held by THCL to the shareholders of THCL in proportion to their respective shareholdings in THCL; and (ii) the redemption of such redeemable preference shares by TPRE from the shareholders of THCL using the TPRE Consideration Shares in proportion to their respective shareholdings in THCL
Proposed Tune Hotel Penang Plan of Arrangement	:	The proposed plan of arrangement to be undertaken by THCL with its shareholders pursuant to Section 118 of the Labuan Companies Act involving principally the reduction in its share capital through the distribution of the Tune Hotel Penang Consideration Shares to the shareholders of THCL in proportion to their respective shareholdings in THCL
Proposed Tune Hotels Acquisitions	:	Proposed acquisitions of the Tune Hotel Penang, the Tune Hotel KK and the rights to operate and maintain the Tune Hotel KLIA Aeropolis
RM and sen	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
RPGT	:	Real property gains tax
Semi-D Disposal SPA	:	The sale and purchase agreement dated 4 May 2017 (which has been subsequently amended through the Semi-D Disposal SPA Supplemental Letter) made between our Company with Noblemen for the disposal of the Semi-D Property, for a disposal consideration of RM4,000,000
Semi-D Disposal SPA Supplemental Letter	:	The supplemental letter dated 26 October 2017 entered between Noblemen and our Company to supplement the Semi-D Disposal SPA

Semi-D Property	:	The semi-detached residential property located at No. 9, Persiaran Damansara Endah, 50490 Kuala Lumpur which is the subject of the Semi-D Disposal SPA, with further details of the property set out in **Part E of Appendix III** of this Circular
Share(s)	:	Ordinary share(s) in our Company
Spencer17	:	Spencer17 Pty Ltd
Subscription and Advances	:	The fund raising exercise undertaken by TP International, acting as the trustee for TP Flinders, which was completed on 21 June 2017, comprising: (i) the subscription of 223,867 new units in TP Flinders for a subscription value of AUD2.2387 and provision of advances of AUD4,764,500.82 by Hedgehog; and (ii) the subscription of 25,976 new units in TP Flinders for a subscription value of AUD0.2598 and provision of advances of AUD552,840.18 by Spencer17
Target Entities	:	Collectively, TPSB, TP Flinders, TP International and YKSB
TH (Brandco)	:	Tune Hotels.Com (BVI) Limited
TH Management	:	Tune Hotels Management Sdn Bhd (formerly known as Tune Hotels Regional Services Sdn Bhd)
THCL	:	Tune Hotels.Com Limited
THSB	:	Tune Hotels Sdn Bhd
TP Flinders	:	TP Hotel (Flinders) Trust
TP International	:	TP International Pty Ltd
TPRE	:	TP Real Estate Holdings Pte Ltd
TPRE Consideration Shares	:	160,205,555 new Shares to be issued at the Issue Price to shareholders of THCL under the Proposed TPRE Plan of Arrangement
TPRE SPA	:	The share purchase agreement dated 4 May 2017 (which has been subsequently amended through the TPRE SPA Supplemental Letter, the TPRE SPA Second Supplemental Letter and the TPRE SPA Third Supplemental Letter) made between our Company with TPRE for the acquisition of 50% equity interest in TPSB, TP International and YKSB, and 40.005% equity interest in TP Flinders (together with 40.005% of the rights and benefits to the total advances owing by TP Flinders), for an aggregated purchase consideration of RM57,674,000
TPRE SPA Second Supplemental Letter	:	The second supplemental letter dated 30 August 2017 entered between TPRE and our Company to supplement the TPRE SPA and the TPRE SPA Supplemental Letter
TPRE SPA Supplemental Letter	:	The supplemental letter dated 21 June 2017 entered between TPRE and our Company to supplement the TPRE SPA
TPRE SPA Third Supplemental Letter	:	The third supplemental letter dated 26 October 2017 entered between TPRE and our Company to supplement the TPRE SPA, the TPRE SPA Supplemental Letter and the TPRE SPA Second Supplemental Letter
TPSB	:	TP Sepang Sdn Bhd
Tune Hotel KK	:	The 4-storey limited-service hotel comprising 165 rooms known as "Tune Hotel Kota Kinabalu", located at Unit Nos. G-803, F-803, S-803 & T-803, Ground Floor to Third Floor, 1 Borneo, Off Jalan UMS, 88450 Kota Kinabalu, Sabah, which is the subject matter of the Tune Hotel KK SPA, with further details of the property set out in **Part C of Appendix III** of this Circular

Tune Hotel KK SPA	:	The sale and purchase agreement dated 4 May 2017 (which has been subsequently amended through the Tune Hotel KK SPA Supplemental Letter) made between our Company with THSB for the acquisition of Tune Hotel KK, for a purchase consideration of RM9,000,000
Tune Hotel KK SPA Supplemental Letter	:	The supplemental letter dated 26 October 2017 entered between THSB and our Company to supplement the Tune Hotel KK SPA
Tune Hotel KLIA Aeropolis	:	The 5-storey limited-service hotel comprising 218 rooms known as "Tune Hotel KLIA Aeropolis", located at Lot PT No. 29, Jalan KLIA S4, 64000 Sepang, Selangor, which is operated by THSB under the KLIA Aeropolis Concession Agreement
Tune Hotel KLIA Aeropolis SPA	:	The sale and purchase agreement dated 4 May 2017 (which has been subsequently amended through the Tune Hotel KLIA Aeropolis SPA Supplemental Letter) made between our Company with THSB for the acquisition of the rights to operate and maintain Tune Hotel KLIA Aeropolis, for a purchase consideration of RM926,000
Tune Hotel KLIA Aeropolis SPA Supplemental Letter	:	The supplemental letter dated 26 October 2017 entered between THSB and our Company to supplement the Tune Hotel KLIA Aeropolis SPA
Tune Hotel KLIA2	:	The 5-storey limited-service hotel comprising 434 rooms known as "Tune Hotel KLIA2", located at Lot PT 13, Jalan KLIA 2/2, 64000 KLIA, Selangor, which is operated by TPSB under the KLIA2 Concession Agreement
Tune Hotel Penang	:	The 11-storey limited-service hotel comprising 258 rooms known as "Tune Hotel Downtown Penang", located at No. 100, Jalan Burma, 10050 Georgetown, Penang, which is the subject matter of the Tune Hotel Penang SPA, with further details of the property set out in **Part B of Appendix III** of this Circular
Tune Hotel Penang Consideration Shares	:	33,127,777 new Shares to be issued at the Issue Price to the shareholders of THCL under the Proposed Tune Hotel Penang Plan of Arrangement
Tune Hotel Penang SPA	:	The sale and purchase agreement dated 4 May 2017 (which has been subsequently amended through the Tune Hotel Penang SPA Supplemental Letter and the Tune Hotel Penang SPA Second Supplemental Letter) made between our Company with THSB for the acquisition of Tune Hotel Penang, for a purchase consideration of RM21,000,000
Tune Hotel Penang SPA Second Supplemental Letter	:	The second supplemental letter dated 26 October 2017 entered between THSB and our Company to supplement the Tune Hotel Penang SPA and the Tune Hotel Penang SPA Supplemental Letter
Tune Hotel Penang SPA Supplemental Letter	:	The supplemental letter dated 30 August 2017 entered between THSB and our Company to supplement the Tune Hotel Penang SPA
Tune Hotels Group	:	Collectively, THCL and its subsidiaries
YKSB	:	Yummy Kitchen Sdn Bhd

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 our subsidiaries, collectively. References to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, where the context requires otherwise, shall include our subsidiaries.

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

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference in this Circular to any provisions of the statutes, rules, regulations, guidelines or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, guidelines or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment of the statutes, rules, regulations, guidelines or rules of stock exchange for the time being in force.

Any reference to a Company registered under the Companies Act 1965 shall be deemed to have been registered under the Companies Act and the Companies Act shall extend and apply to the company accordingly.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to time of day and date in this Circular is a reference to Malaysian time and date respectively.

THIS CIRCULAR INCLUDES FORWARD-LOOKING STATEMENTS WHICH ARE SUBJECT TO UNCERTAINTIES AND CONTINGENCIES. ALL STATEMENTS OTHER THAN STATEMENTS OF HISTORICAL FACTS PROVIDED IN THIS CIRCULAR INCLUDING, WITHOUT LIMITATION, THOSE REGARDING OUR PROSPECTS AND PLANS OF OUR GROUP FOR FUTURE OPERATIONS OR ACTIVITIES, ARE FORWARD-LOOKING STATEMENTS. THERE IS NO ASSURANCE THAT SUCH FORWARD-LOOKING STATEMENTS WILL MATERIALISE, BE FULFILLED OR ACHIEVED.

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CONTENTS

APPENDICES

APPENDICES (cont'd)

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND. YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS IN PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND PART B CONSISTING OF THE INDEPENDENT ADVICE LETTER CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO BE TABLED AT OUR FORTHCOMING EGM.

THIS EXECUTIVE SUMMARY PROVIDES A BRIEF SUMMARY OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND, AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS CIRCULAR.

1. OVERVIEW OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

1.1 The Proposed Acquisitions from TPRE

The Proposed Acquisitions from TPRE involves the proposed acquisition by ECMLFG from TPRE of:

(a) 50% equity interest in TPSB, a Malaysian incorporated company which holds the KLIA2 Concession Agreement to construct, manage and operate the Tune Hotel KLIA2;

(b) 40.005% equity interest in TP Flinders (together with 40.005% of the rights and benefits to the total advances owing by TP Flinders), an Australian incorporated trust which beneficially owns the Flinders Lane Property. TP Flinders intends to develop the Flinders Lane Property into a hotel;

(c) 50% equity interest in TP International, an Australian incorporated company which serves as the trustee of TP Flinders and the registered proprietor of the Flinders Lane Property (held on behalf of TP Flinders); and

(d) 50% equity interest in YKSB, a Malaysian incorporated company which owns a restaurant business, the Glasshouse Café at Tune Hotel KLIA2, as well as provides food-catering services for the AirAsia Lounge at the KLIA2,

for a total purchase consideration of RM57,674,000 to be satisfied entirely via the allotment and issuance of the TPRE Consideration Shares.

Further details on the Proposed Acquisitions from TPRE are set out in **Section 3** of this Circular.

1.2 The Proposed Provision of Financial Assistance

Pursuant to the acquisition of the 50% equity interest in TPSB, our Company will be required to pledge the equity interest acquired and provide a corporate guarantee as may be required by the financier of TPSB in the proportion of our equity interest in TPSB in respect of a loan obligation undertaken by TPSB.

Further details of the Proposed Provision of Financial Assistance are set out in **Section 3.1** of this Circular.

1.3 The Proposed Tune Hotels Acquisitions

The Proposed Tune Hotels Acquisitions involves the proposed acquisition by ECMLFG from THSB of:

(a) an 11-storey limited-service hotel comprising 258 rooms known as Tune Hotel Penang;

(b) a 4-storey limited-service hotel comprising 165 rooms known as Tune Hotel KK; and

(c) the rights to operate and maintain a 5-storey limited-service hotel comprising 218 rooms known as Tune Hotel KLIA Aeropolis,

for a total purchase consideration of RM30,926,000, of which:

(i) RM11,926,000 is to be satisfied via the allotment and issuance of the Tune Hotel Penang Consideration Shares; and

(ii) RM19,000,000 is to be satisfied in cash.

Further details on the Proposed Tune Hotels Acquisitions are set out in **Section 4** of this Circular.

1.4 The Proposed Collaboration

In connection with the Proposed Acquisitions, a collaboration agreement was also entered into on 4 May 2017 with TH (Brandco), the owner and franchisor of the "Tune Hotels.Com" brand and franchise, to further enhance, promote and develop new franchisees of the "Tune Hotels.Com" brand after the completion of the Proposed Acquisitions from TPRE.

The Proposed Collaboration shall take effect on the completion of the Proposed Acquisitions from TPRE and is effective for a term of 15 years.

Further details on the Proposed Collaboration are set out in **Section 6** of this Circular.

1.5 The Proposed Diversification

The Proposed Acquisitions and the Proposed Collaboration will allow our Group to diversify our revenue and earnings stream into a new business area. The Proposed Diversification entails the proposed diversification of our Group's existing principal activities to include hotel ownership and management in addition to that of our Group's existing business activities.

1.6 The Proposed Special Dividend

Our Board intends to reward shareholders of ECMLFG by way of a special cash dividend of an amount which will result in our Company's consolidated NA being adjusted to approximately RM103.2 million or about RM0.36 per Share.

It is intended for a portion of the Proposed Special Dividend to be applied against part of the disposal consideration payable by Noblemen to our Company for the Proposed Bangunan ECM Libra Disposal as an offset.

For the avoidance of doubt, the Consideration Shares shall not be entitled to the Proposed Special Dividend as the Proposed Acquisitions will only be completed after the Proposed Special Dividend.

Further details on the Proposed Special Dividend are set out in **Section 8** of this Circular.

1.7 The Proposed Disposals

Our Company is also proposing to dispose of our non-core assets comprising the East Wing and Centre Wing of Bangunan ECM Libra and the Semi-D Property to Noblemen for a total cash consideration of RM28,000,000. The disposal proceeds will be used to part fund the Proposed Special Dividend.

Further details on the Proposed Disposals are set out in **Section 9** of this Circular.

The Proposals are deemed to be related party transactions.

The Proposed Disposals and the Proposed Special Dividend shall be completed simultaneously prior to the completion of the Proposed Acquisitions.

2. RATIONALE FOR AND BENEFITS OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

2.1 Proposed Acquisitions, Proposed Diversification and Proposed Provision of Financial Assistance

The financial performance of our Group is exposed to fluctuations of the financial markets. The Proposed Acquisitions will enable our Group to diversify our revenue and earnings stream into the hotel business which has potential for growth, while leveraging on the existing and established hospitality franchise of the "Tune Hotels.Com" brand. Furthermore, the assets from the Proposed Acquisitions are strategically located and have promising prospects, in line with the positive outlook of the tourism and hospitality industry in both Malaysia and Australia as described in **Sections 7.1 and 7.2** respectively of this Circular.

Our Board believes that the Proposed Acquisitions and the Proposed Diversification will contribute positively to our Group's future earnings and reduce reliance on our Group's current business.

The Proposed Provision of Financial Assistance is an integral part of and a consequence of acquiring the 50% equity interest in TPSB under the Proposed Acquisitions from TPRE, as it ensures that TPSB maintains the existing term loan facility to fund its operations of the Tune Hotel KLIA2.

2.2 Proposed Collaboration

Currently, our Group does not have any expertise in the hotel business. The Proposed Collaboration will provide an opportunity for our Group to develop our own expertise and experience in hospitality management and operations with TH (Brandco) and at the same time leverage on an existing and established hospitality franchise.

2.3 Proposed Special Dividend

The Proposed Special Dividend is consistent with the objectives of our Company to return cash in excess of our Group's requirement to shareholders, after taking into consideration our Group's level of operations, cash, business prospects, investment plans as well as current and expected obligations.

2.4 Proposed Disposals

The Proposed Disposals are an opportunity for us to realise our investments in non-core assets and to channel the proceeds for distribution to you through the Proposed Special Dividend, as the disposal proceeds will be used to part fund the Proposed Special Dividend.

Further details on the rationale for the Proposals and the Proposed Special Dividend are set out in **Section 2** of this Circular.

3. FINANCIAL EFFECTS

The Proposed Provision of Financial Assistance and Proposed Collaboration will have no effect on the share capital, substantial shareholders' shareholdings, NA per Share, gearing or earnings and EPS of our Group.

3.1 Share capital

The Proposed Disposals and the Proposed Special Dividend will not have any effect on the issued share capital of our Company.

After the Proposed Acquisitions (including the Proposed Diversification), the share capital of our Company is expected to increase from RM34,391,099 comprising 286,592,491 Shares up to RM107,545,861 comprising 479,925,823 Shares.

Further details on the proforma effects of the Proposals and the Proposed Special Dividend on the issued share capital of our Company are set out in **Section 14.1** of this Circular.

3.2 Substantial shareholders' shareholdings

The Proposed Disposals and the Proposed Special Dividend will not have any effect on the shareholdings of our Company's substantial shareholders.

As the Proposed Acquisitions involves the issuance of the Consideration Shares to the shareholders of THCL under the Proposed Plan of Arrangement, it will result in Tan Sri Dr Anthony Francis Fernandes and Datuk Kamarudin bin Meranun (via their interest in Tune Group Sdn Bhd) emerging as our Company's new substantial shareholders with an equity interest of up to 23.0%.

Further details on the proforma effects of the Proposals and the Proposed Special Dividend on our Company's substantial shareholders' direct and indirect shareholdings are set out in **Section 14.2** of this Circular.

3.3 NA, NA per Share and gearing

For illustrative purposes, the proforma effects of the Proposed Disposals, Proposed Special Dividend and Proposed Acquisitions (including the Proposed Diversification) on the NA, NA per Share and gearing of our Company, based on the latest audited consolidated statement of financial position of our Company as at 31 December 2016 are set out below:

		(I)	**(II)**	**(III)**
	Audited as at 31 December 2016	**After the Proposed Disposals**	**After (I) and the Proposed Special Dividend**	**After (II) and the Proposed Tune Hotels Acquisitions**
	RM'000	**RM'000**	**RM'000**	**RM'000**
NA	144,309	147,635	103,174	170,979
NA per Share (RM)	0.50	0.52	0.36	0.36
Gearing (times)	-	-	-	0.11

Further details on the proforma effects of the Proposals and the Proposed Special Dividend on the NA, NA per Share and gearing of our Company are set out in **Section 14.3** of this Circular.

3.4 Earnings and EPS

Save for the associated expenses of approximately RM1.8 million, the Proposed Acquisitions (including the Proposed Diversification) are not expected to materially affect our earnings and EPS for the FYE 31 December 2017 as the Proposed Acquisitions are only expected to be completed in the first quarter of 2018. The Proposed Disposals are expected to result in an aggregated gain of approximately RM3.3 million.

The EPS of our Company is expected to reduce proportionately as a result of the issuance and allotment of the Consideration Shares pursuant to the Proposed Acquisitions. Please refer to **Section 14.4** for further an illustration of the dilutive effects on the EPS attributable to the increase in the number of Shares pursuant to the Proposed Acquisitions.

The EPS of our Company in the future may be affected by the level of returns generated by the Target Entities, as well as the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis. Barring any unforeseen circumstances, the Proposed Acquisitions are expected to contribute positively to the future earnings of our Company.

4. RISK FACTORS IN RELATION TO THE PROPOSALS

We are subject to certain risk factors pursuant to the Proposals which are detailed in **Section 11** of this Circular. A summary of these risk factors are set out below:

4.1 Proposed Acquisitions

(i) Risks within the tourism industry;

(ii) Hotel business risks;

(iii) No prior experience in the hotel business;

(iv) Hotel development risk;

(v) Expiration or termination of concession risk;

(vi) Risk of termination of franchise agreements;

(vii) Risk of termination of hotel management and operations agreements;

(viii) Lack of control over third party hotel operators that operate under the "Tune Hotels.Com" brand;

(ix) Brand recognition;

(x) Dependence on key management and staff;

(xi) Foreign exchange and translation risk;

(xii) Investment risk;

(xiii) Foreign investment risk;

(xiv) Completion risk; and

(xv) Compulsory acquisition.

4.2 Proposed Disposals

(i) The Bangunan ECM Libra Disposal SPA and the Semi-D Disposal SPA may be terminated or not completed should their respective conditions precedent fail to be fulfilled. In the event of such termination or non-completion, the Proposed Special Dividend will not be undertaken.

5. CONDITIONALITY OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

The Proposed Semi-D Disposal and Proposed Bangunan ECM Libra Disposal are inter-conditional and they are also conditional upon the Proposed Acquisitions from TPRE being unconditional.

The Proposed Special Dividend is conditional upon the Proposed Disposals becoming unconditional.

The Proposed Acquisitions are conditional upon the Proposed Disposals and the Proposed Special Dividend. In the event that the Proposed Disposals do not become unconditional, the Proposed Special Dividend and the Proposed Acquisitions will not be undertaken.

The Proposed Tune Hotels Acquisitions are conditional upon the Proposed Acquisitions from TPRE but not vice versa. In the event that the Proposed Acquisitions from TPRE is not completed, the Proposed Tune Hotels Acquisitions will not be undertaken.

The Proposed Provision of Financial Assistance is an integral part of and a consequence of acquiring the 50% interest in TPSB under the Proposed Acquisitions from TPRE.

The Proposed Collaboration is conditional upon the Proposed Acquisitions from TPRE.

The Proposed Diversification is a consequence of the Proposed Acquisitions, and as such the Proposed Diversification and the Proposed Acquisitions from TPRE are inter-conditional. In order for the Proposed Diversification to take effect, at least the Proposed Acquisitions from TPRE must be completed.

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PART A

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

ECM LIBRA FINANCIAL GROUP BERHAD
(Company No. 713570-K)
(Incorporated in Malaysia)

Registered Office:

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

27 November 2017

Our Board of Directors:

Dato' Seri Kalimullah bin Masheerul Hassan *(Non-Independent Non-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,

THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

1. INTRODUCTION

On 4 May 2017, CIMB, on behalf of our Board, announced that we had on 4 May 2017 entered into the following agreements:

(i) Share purchase agreement with TPRE for the acquisition of:

(a) 50% equity interest in TPSB, a Malaysian incorporated company which holds the KLIA2 Concession Agreement to construct, manage and operate the Tune Hotel KLIA2;

(b) 50% equity interest in TP Flinders (together with 50% of the rights and benefits to the advances owing by TP Flinders to TPRE), an Australian incorporated trust which beneficially owns the Flinders Lane Property. TP Flinders intends to develop the Flinders Lane Property into a hotel;

(c) 50% equity interest in TP International, an Australian incorporated company which serves as the trustee of TP Flinders and the registered proprietor of the Flinders Lane Property (held on behalf of TP Flinders); and

(d) 50% equity interest in YKSB, a Malaysian incorporated company which owns a restaurant business, the Glasshouse Café at Tune Hotel KLIA2, as well as provides food-catering services for the AirAsia Lounge at the KLIA2,

for an aggregated purchase consideration of RM57,674,000, to be satisfied entirely via the allotment and issuance of the TPRE Consideration Shares;

(ii) Sale and purchase agreements with THSB for the acquisition of:

(a) the Tune Hotel Penang together with existing tenancies for a purchase consideration of RM21,000,000, whereby:

(aa) RM11,926,000 is to be satisfied via the allotment and issuance of the Tune Hotel Penang Consideration Shares; and

(bb) the remaining RM9,074,000 is to be satisfied in cash,

(b) the Tune Hotel KK together with existing tenancies for a purchase consideration of RM9,000,000, to be satisfied entirely in cash; and

(c) 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;

(iii) Sale and purchase agreements with Noblemen for the disposal of:

(a) the East Wing and Centre Wing of Bangunan ECM Libra together with existing tenancies for a disposal consideration of RM24,000,000 to be satisfied entirely in cash by Noblemen; and

(b) the Semi-D Property for a disposal consideration of RM4,000,000 to be satisfied entirely in cash by Noblemen.

In connection with the Proposed Acquisitions from TPRE, we have also on 4 May 2017 entered into the Collaboration Agreement with TH (Brandco), the owner and franchisor of the "Tune Hotels.Com" brand and franchise, for us to further enhance, promote and develop new franchisees under the "Tune Hotels.Com" brand after completing the Proposed Acquisitions from TPRE.

On 21 June 2017, CIMB, on behalf of our Board, announced that our Company and TPRE had on even date entered into the TPRE SPA Supplemental Letter for us to grant consent to the Subscription and Advances and to amend certain provisions of the TPRE SPA, to facilitate the Subscription and Advances and the removal of the BNM approval as one of the conditions precedent to the TPRE SPA as the same is not required for the Proposed Acquisitions from TPRE.

As a result of the Subscription and Advances, the acquisition of 50% equity interest in TP Flinders (together with 50% of the rights and benefits of the advances owing by TP Flinders to TPRE) shall be changed to represent 40.005% of the total issued units in TP Flinders together with 40.005% of the rights and benefits of the total advances owing by TP Flinders of AUD26,600,080 (equivalent to approximately RM86,812,021, based on the exchange rate of AUD1.00 : RM3.2636[(1)]). There is no change to the purchase consideration and the number of units to be acquired by our Company under the TPRE SPA.

(1) Source: BNM as at the LPD.

On 30 August 2017, we were notified by THCL that it had completed an exercise to reduce its share capital to cancel the unpaid portion of their share capital held by certain shareholders ("**Unpaid Shares Cancellation Exercise**"). The Unpaid Shares Cancellation Exercise resulted in a change of THCL's shareholders' shareholdings percentage. As a result, CIMB, on behalf of our Board, announced on 30 August 2017 that we had entered into the TPRE SPA Second Supplemental Letter and the Tune Hotel Penang SPA Supplemental Letter to reflect the changes in THCL's shareholders' shareholdings percentage and its consequential effect to the Proposed Plan of Arrangement.

The Unpaid Shares Cancellation Exercise do not have an impact on the number of Consideration Shares to be issued under the Proposed Acquisitions from TPRE and the Proposed Tune Hotels Acquisitions and the details of THCL's existing shareholders' shareholdings are set out in **Section 5.2** of this Circular.

On 26 October 2017, CIMB, on behalf of our Board, announced that our Company had on the same date entered into the TPRE SPA Third Supplemental Letter, the Tune Hotel Penang SPA Second Supplemental Letter, the Tune Hotel KK SPA Supplemental Letter, the Tune Hotel KLIA Aeropolis SPA Supplemental Letter, the Bangunan ECM Libra Disposal SPA Supplemental Letter and the Semi-D Disposal SPA Supplemental Letter (collectively the "**Supplemental Letters**"), to among others, extend the date to fulfil the conditions precedent of the Proposed Acquisitions and the Proposed Disposals by 6 months from 5 November 2017, or such longer period as the parties may mutually agree in writing.

In addition to the extension of time, the Supplemental Letters were also entered into:

(a) (In respect of only the Tune Hotel Penang SPA and the Tune Hotel KK SPA) to provide for additional procedural provisions to facilitate the funding via borrowings to be obtained by our Company for the cash portion to acquire the hotel properties; and

(b) (In respect of only the Bangunan ECM Libra Disposal SPA and the Semi-D Disposal SPA) to amend the agreements' respective payment terms in the interest to complete the Proposed Special Dividend in a more timely manner, further details of which are set out in **Sections 9.1(i) and 9.2(i)** of this Circular. In addition to the extension of time mentioned above, the TPRE SPA was also amended as a consequence of these amendments.

Subsequently on 21 November 2017, CIMB, on behalf of our Board, announced that Bursa Securities had vide its letter dated 20 November 2017, approved the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities. The said approval of Bursa Securities is subject to the conditions as stated in **Section 15** of this Circular.

In conjunction with the Proposed Acquisitions, our Company will be seeking your approval for the Proposed Diversification. The Proposed Diversification entails the proposed diversification of our Group's existing principal activities to include hotel ownership and management in addition to our existing business activities that consist of general investments, management of unit trust funds and asset management, structured lending and financial-related services. Your approval is required for the Proposed Diversification as the Proposed Acquisitions would result in a diversion of more than 25% of the NA of our Group. Further details on the Proposed Diversification are set out in **Section 10** of this Circular.

Pursuant to the proposed acquisition of 50% equity interest in TPSB under the Proposed Acquisitions from TPRE, our Company will be required to pledge the equity interest acquired and provide a corporate guarantee as may be required by the financier of TPSB in proportion to our equity interest in TPSB after completing the Proposed Acquisitions from TPRE.

It is the intention of our Board to declare the Proposed Special Dividend (after the Proposed Disposals become unconditional but before completing the Proposed Acquisitions), of an amount which will result in our Company's NA being adjusted to approximately RM103.2 million or about RM0.36 per Share[(2)]. Further details of the Proposed Special Dividend are set out in **Section 8** of this Circular.

For the avoidance of doubt, the Consideration Shares shall not be entitled to the Proposed Special Dividend as the Proposed Acquisitions will only be completed after the entitlement date of the Proposed Special Dividend.

Due to the interests of certain directors and major shareholders in the Proposals as described in **Section 19** of this Circular, the Proposals are deemed to be related party transactions under paragraph 10.08 of the Listing Requirements. Accordingly, on 4 May 2017, Mercury Securities was appointed as our Independent Adviser to advise the non-interested directors and non-interested shareholders of our Company on (i) whether the Proposals are fair and reasonable, (ii) whether the Proposals are detrimental to our non-interested shareholders; and (iii) to advise our non-interested shareholders whether they should vote in favour of the Proposals. Further details of Mercury Securities' appointment are set out in **Section 23** of this Circular and its Independent Advice Letter is set out in **Part B** of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND, AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED WITH THIS CIRCULAR.

WE ADVISE YOU TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND PART B CONSISTING OF THE INDEPENDENT ADVICE LETTER CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS.

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(2) Based on our Company's share capital as at the LPD, comprising 286,592,491 Shares.

2. RATIONALE FOR AND BENEFITS OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

2.1 Proposed Acquisitions, Proposed Diversification and Proposed Provision of Financial Assistance

Our Group generates revenue principally through the provision of credit and fund management services through our main business activities of general investments, management of unit trust funds and asset management, structured lending and financial-related services. The provision of credit is conducted through our wholly-owned subsidiary, ECM Libra Partners Sdn Bhd, a licensed moneylender. Our Group's fund management services comprise both asset management and unit trust management conducted through Libra Invest Berhad, also a wholly-owned subsidiary that is a fund manager licensed by the Securities Commission Malaysia. We intend to continue to engage in these principal business activities after completing the Proposals and the Proposed Special Dividend in addition to being involved in the hotel business.

The financial performance of our Group is exposed to fluctuations of the financial markets. The Proposed Acquisitions will enable our Group to diversify our revenue and earnings stream into a new business area that has potential for growth, while leveraging on the existing and established hospitality franchise of the "Tune Hotels.Com" brand. Furthermore, the assets from the Proposed Acquisitions are strategically located and have promising prospects, in line with the positive outlook of the tourism and hospitality industry in both Malaysia and Australia as described in **Sections 7.1 and 7.2** respectively of this Circular.

From the perspective of venturing into a new business area, the hotel business provides our Group with an opportunity to derive earnings from a sector that is promising and not related to the financial markets while at the same time provide an underlying asset base derived from the hotel properties acquired. As a result, apart from deriving the economic benefits from operating the hotels, we expect to also benefit from capital appreciation from long term increase in property values.

Although the Proposed Acquisitions are not synergistic or complementary with our Group's existing business activities, they are complementary with each other as Tune Hotel KLIA2, Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis all operate under a common "Tune.Hotels.Com" franchise.

Our Board believes that the Proposed Acquisitions and the Proposed Diversification will contribute positively to our Group's future earnings and reduce reliance on our Group's current business.

Please refer to **Section 7.3** of this Circular for more information on the prospects of the Tune Hotel KLIA2, the Flinders Lane Property, YKSB, the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis.

The Proposed Provision of Financial Assistance is an integral part of and a consequence of acquiring the 50% equity interest in TPSB under the Proposed Acquisitions from TPRE, as it ensures that TPSB maintains the existing term loan facility to fund its operations of the Tune Hotel KLIA2.

2.2 Proposed Collaboration

Currently, our Group does not have any expertise in hotel ownership and management, but we intend to develop such skillsets and expertise by leveraging on the expertise of Plato through TPRE (who is the other shareholder in the Target Entities after completing the Proposed Acquisitions from TPRE[3]), which has experience in investing, developing and monetizing hotel properties.

Furthermore, the Proposed Collaboration will provide an opportunity for our Group to develop our own expertise and experience in hospitality management and operations with TH (Brandco) and at the same time leverage on an existing and established hospitality franchise.

This provides us with a platform to grow and deepen our involvement in the hotel business with the benefit of an established franchise.

2.3 Proposed Special Dividend

The Proposed Special Dividend is consistent with the objectives of our Company's capital management framework which includes returning cash in excess of our Group's requirement to shareholders, after taking into consideration our Group's level of operations, cash, business prospects, investment plans as well as current and expected obligations.

2.4 Proposed Disposals

The Proposed Disposals are an opportunity for us to realise our investments in non-core assets and to channel the proceeds for distribution to you through the Proposed Special Dividend, as the disposal proceeds shall form part of the Proposed Special Dividend.

3. DETAILS OF THE PROPOSED ACQUISITIONS FROM TPRE

3.1 Introduction

The Proposed Acquisitions from TPRE comprises the acquisition of the following:

(i) 5,000,000 ordinary shares in TPSB, representing 50% of the equity interest in TPSB;

(ii) 500,000 units in TP Flinders representing 40.005% of the total units in issue in TP Flinders and 40.005% of the total advances owing by TP Flinders[4];

(iii) 50 ordinary shares of AUD0.01 in TP International, representing 50% of the total issued and paid-up share capital of TP International; and

(iv) 5 ordinary shares in YKSB, representing 50% of the equity interest in YKSB,

for an aggregated purchase consideration of RM57,674,000, to be satisfied via the allotment and issuance of the TPRE Consideration Shares and in accordance with the Proposed TPRE Plan of Arrangement.

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(3) Save for TP Flinders, for which TPRE will hold 40.005% equity interest after completing the Proposed Acquisitions from TPRE.

(4) After taking into account the Subscription and Advances, the total advances owing by TP Flinders to its unitholders amount to approximately AUD26.6 million (equivalent to approximately RM86.8 million based on the exchange rate of AUD1.00:RM3.2636 as at the LPD).

The breakdown of the purchase consideration is as follows:

	TPSB	**TP Flinders**	**TP International**	**YKSB**
Purchase consideration	RM24,009,000	RM33,664,999		RM1

Pursuant to the proposed acquisition of the 50% equity interest in TPSB as set out in (i) above, our Company will pledge the 5,000,000 ordinary shares in TPSB to be acquired and provide a corporate guarantee as may be required by the financier of TPSB in the proportion of our equity interest in TPSB after completing the Proposed Acquisitions from TPRE. The pledging of the ordinary shares and the corporate guarantee are in respect of a loan obligation of RM42.5 million[(5)] owing by TPSB. In order to maintain this existing term loan facility, the financier of TPSB may also require other forms of guarantee, indemnity or collateral which will only be considered and provided in proportion to our equity interest in TPSB.

Information on the Target Entities are set out in **Appendices IV, V, VI and VII** of this Circular.

TPSB holds a concession which expires on 31 January 2034 to, among others, construct, manage and operate the Tune Hotel KLIA2 pursuant to the terms and conditions under the KLIA2 Concession Agreement. Our Company understands that there are ongoing discussions by TPSB regarding the extension of the concession period in line with the Government's extension of MAHB's lease. Please refer to **Part A of Appendix II** of this Circular for the salient terms of the KLIA2 Concession Agreement.

TP International, on behalf of TP Flinders and acting as the trustee of TP Flinders, owns the Flinders Lane Property which comprises a double storey building which was previously used as a data centre and is currently vacant. The Flinders Lane Property is located to the south western corner of the Melbourne CBD, with dual access provided via frontage to Flinders Lane along the northern boundary and Flinders Street on the southern boundary. Please refer to **Part A of Appendix III** of this Circular for further information on the Flinders Lane Property.

TP Flinders intends to develop the Flinders Lane Property into a hotel. Given its prime location and close proximity to Flinders Street, Southern Cross Railway Station, Yarra River as well as the Crown Entertainment Complex, Flinders Lane Property is expected to have good prospects for a hotel development. Please refer to **Section 7.2** of this Circular for further prospects of the tourism and hospitality industry in Australia.

YKSB, which commenced business in April 2016, owns the Glasshouse Café restaurant business at Tune Hotel KLIA2. On 4 November 2016, YKSB has also entered into a food catering agreement to provide food catering services at the AirAsia Lounge located in KLIA2 for a tenure of 3 years.

Please refer to **Part A of Appendix I** of this Circular for the salient terms of the TPRE SPA.

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(5) Based on TPSB's latest available audited financial statements as at 30 September 2016.

3.2 Basis and justification of the purchase consideration

3.2.1 TPSB

The purchase consideration of approximately RM24.0 million allocated to TPSB was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(i) the net present value of the expected cash flow of TPSB under the DCF methodology[(6)] of between approximately RM25 million to RM27 million, commencing from 2018 to 2034, being the expiry of the KLIA2 Concession Agreement period and based on key assumptions which include forecasted room rates, occupancy rates and other operating costs of the Tune Hotel KLIA2;

(ii) the audited PAT of TPSB for the FYE 30 September 2016 of approximately RM5.4 million;

(iii) the EBITDA of TPSB based on TPSB's audited financial statements for the FYE 30 September 2016 of approximately RM16.0 million; and

(iv) the rationale and prospects of the Proposed Acquisitions as set out in **Sections 2.1 and 7.3** respectively of this Circular.

The settlement of the purchase consideration via the TPRE Consideration Shares will allow our Group to conserve cash reserves and strengthen our capital base.

In justifying TPSB's purchase consideration value, the following was considered:

(a) Implied discount rate

The implied discount rate derived from TPSB's purchase consideration value of approximately RM24.0 million under the DCF methodology is approximately 12.5%.

The average of the discount rate of comparable companies derived from their unlevered betas, risk free rate and equity risk premium (as extracted from Bloomberg), and among others, taking into consideration the capital structure of TPSB over the concession period is approximately 8.2%.

(6) DCF is a method of valuation using the concept of the time value of money. Future cash flows are estimated and discounted by using a discount rate to give their present values. The discount rate used reflects the risk of the cash flows. In general, a higher discount rate indicates that there is a greater level of risk associated with an investment and its future cash flows.

The comparable companies referred to in deriving the above average discount rate are set out below ("**Comparable Companies**"):

Comparable Companies[(1)]	**Country of listing**
PT Red Planet Indonesia Tbk	Indonesia
PT Hotel Sahid Jaya International Tbk	Indonesia
Pan Malaysia Holdings Bhd	Malaysia
Landmarks Bhd	Malaysia
Grand Central Enterprises Bhd	Malaysia
Acesite (Phils.) Hotel Corporation	Philippines
Discovery World Corporation	Philippines
HL Global Enterprises Ltd	Singapore
Mandarin Hotel Public Company Ltd	Thailand
Erawan Hotel Growth Property Fund	Thailand
Vung Tau Intourco Resort	Vietnam
Saigon Hotel Corporation	Vietnam
Thanh Thanh Cong Tourist JSC	Vietnam

Note:

(1) In selecting the Comparable Companies, we had considered listed companies in South East Asia which have a market capitalisation of below RM500 million and which are principally involved in the hotel business (by having at least 75% of their total revenue derived from hotel operations).

Notwithstanding, the Comparable Companies may not be directly comparable to TPSB due to, among others, geographical operations and presence, scale of operations, composition of business activities, future prospects, asset base and risk profile.

In light of the above:

- the implied discount rate derived from TPSB's purchase consideration of approximately 12.5% is higher than the average discount rate of approximately 8.2% derived from the unlevered beta of the Comparable Companies, the risk free rate and equity risk premium, as well as taking into consideration the capital structure of TPSB over the KLIA2 Concession Agreement period; and

- furthermore, Mercury Securities, the Independent Adviser in respect of the Proposals, ascribed an independent valuation of between RM25.4 million to RM27.6 million for 50% equity interest in TPSB, as detailed in **Part B** of this Circular. Accordingly, TPSB's purchase consideration of RM24.0 million represents a discount of 5.5% to 13.0% to the valuation ascribed by Mercury Securities.

(b) Transaction Multiples

The price to earnings ratio ("**PER**") and EV to EBITDA ratio ("**EV/EBITDA**") of the Comparable Companies as at 3 May 2017 (after excluding companies which recorded both negative PAT and EBITDA) are as follows:

Comparable Companies	**PER (times)**	**EV/EBITDA ratio (times)**
PT Red Planet Indonesia Tbk	N/A	906.0*
PT Hotel Sahid Jaya International Tbk	1,673.3*	35.6*
Pan Malaysia Holdings Bhd	N/A	77.2*
Acesite (Phils.) Hotel Corporation	7.5	2.3*
Discovery World Corporation	87.5*	22.7
HL Global Enterprises Ltd	N/A	17.3
Mandarin Hotel Public Company Ltd	215.3*	14.2
Erawan Hotel Growth Property Fund	17.9	12.4
Vung Tau Intourco Resort	14.5	N/A
Saigon Hotel Corporation	62.3*	28.4
Thanh Thanh Cong Tourist JSC	139.3*	N/A
Low(1)	**7.5**	**12.4**
Average(1)	**13.3**	**19.0**
High(1)	**17.9**	**28.4**
TPSB(2)	8.9	5.1

Notes:

* *Outliers.*
N/A Not available.
(1) Excluding outliers.
(2) Based on TPSB's purchase consideration of approximately RM24.0 million and its latest available audited financial statements for the FYE 30 September 2016.

In light of the above, based on TPSB's purchase consideration of approximately RM24.0 million:

- the PER of the acquisition of 8.9 times is within the range and lower than the average PER of the Comparable Companies; and

- the EV/EBITDA ratio of the acquisition of 5.1 times is lower than the range and the average EV/EBITDA ratio of the Comparable Companies.

3.2.2 TP Flinders and TP International

The purchase consideration allocated to TP Flinders and TP International of approximately RM33.7 million was arrived at on a willing buyer-willing seller basis after taking into consideration the following:

(a) the advances of approximately AUD21.3 million or RM67.4 million owing by TP Flinders to TPRE as at 30 September 2016 based on the agreed upon exchange rate of AUD1.00:RM3.1633;

(b) the audited NA of TP Flinders of AUD2,029 as at 30 September 2016;

(c) the audited net liability position of TP International of AUD9,123 as at 30 September 2016;

(d) the market value of the Flinders Lane Property; and

(e) the development potential and prospects of the Flinders Lane Property in view of its strategic location as described in **Section 7.3.2** of this Circular.

The market value of the Flinders Lane Property was AUD20.5 million or approximately RM65.2 million as at 30 May 2017 as ascribed by m3property, using the direct comparison method.

An update to the market value was carried out by m3property on 14 September 2017, where the market value of Flinders Lane Property was revised upwards from AUD20.5 million to AUD21.5 million or from approximately RM65.2 million to RM72.3 million. The revision was due to additional market evidence being identified in respect of Flinders Lane Property and favourable foreign exchange movements (in respect of the RM market value) since the previous valuation date of 30 May 2017.

Please refer to **Appendix XII** of this Circular for the valuation certificate dated 21 June 2017 and the update valuation certificate dated 25 September 2017 in relation to the Flinders Lane Property.

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TP Flinders' adjusted NA, taking into account TP Flinders' latest audited financial position as at 30 September 2016, the completion of the Subscription and Advances and the latest market value of the Flinders Lane Property, is as follows:

	AUD 'mil	RM 'mil(2)
TP Flinders' NA(1)	*	*
Add:		
- Revaluation surplus, based on the latest market value of the Flinders Lane Property of AUD21.5 million	1.9	6.0
Less:		
- 15% deferred tax adjustment, based on Australian capital gains tax applicable for a trust, assuming that the Flinders Lane Property is held for more than 12 months	(0.3)	(0.9)
Adjusted NA	**1.6**	**5.1**
TP Flinders' total advances due to unitholders(1)	21.3	67.4
Add:		
- The Subscription and Advances	5.3	16.8
Adjusted total advances due to its unitholders	**26.6**	**84.2**
- 40.005% of the adjusted NA	0.6	2.0
- 40.005% of the total advances due from TP Flinders to its unitholders	10.6	33.7
Adjusted NA and advances	**11.2**	**35.7**

Notes:

* *Less than 10,000.*
(1) Audited as at 30 September 2016.
(2) Translated at the exchange rate as at 30 September 2016 of AUD1.00:RM3.1633.

In light of the above, the purchase consideration of approximately RM33.7 million represents a discount of approximately RM2.0 million or 5.6% to the adjusted NA and advances (in proportion to the stake to be acquired by our Company).

The above is also in-line with the findings of the expert's report on the fairness of the purchase consideration for the proposed acquisition from TPRE of the 40.005% equity interest in TP Flinders (together with 40.005% of the rights and benefits to the total advances owing by TP Flinders) and the 50% equity interest in TP International, which is set out in **Appendix IX** of this Circular.

3.2.3 YKSB

The purchase consideration was for a nominal amount of RM1 after taking into consideration the audited net liability position of YKSB as at 30 September 2016 of RM90,722 as well as its future earnings potential.

3.3 Conditions precedent of the TPRE SPA

The Proposed Acquisitions from TPRE is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the TPRE SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by TPRE and our Company in writing:

(i) THCL obtaining the order from the High Court of Labuan approving the Proposed TPRE Plan of Arrangement;

(ii) TPRE obtaining the approval of its shareholders at an EGM to be convened, which has been obtained on 4 May 2017;

(iii) THCL obtaining the approval of its shareholders for the disposals under the terms and conditions of the TPRE SPA, which has been obtained on 23 October 2017;

(iv) your approval by way of resolution passed at the forthcoming EGM of our Company;

(v) our Company obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the TPRE Consideration Shares on the Main Market of Bursa Securities, which has been obtained on 20 November 2017;

(vi) the completion of a due diligence exercise based on such scope as our Company may deem fit and our Company being satisfied with the results thereof;

(vii) if required, TPRE obtaining the written consents from the existing financier of TPRE, TPSB, TP Flinders, TP International and YKSB; and

(viii) any other regulatory, governmental or other approvals and consents, if required.

3.4 Original cost of investments

The original cost of investments of TPRE in the respective companies, based on the stake that is subject to the TPRE SPA, are as follows:

	Original cost of investment (based on stake to be acquired)	**Date of initial investment**
TPSB	RM5.0 million[(1)]	10 May 2013
TP Flinders	AUD10.6 million[(2)]	2 June 2016
TP International	AUD0.50	31 May 2016
YKSB	RM5	24 Aug 2016

Notes:

(1) Representing 50% of TPSB's share capital but excludes advances made by TPRE.

(2) Comprises TPRE's equity contribution of AUD0.50 represented by 500,000 units and 50% of advances by TPRE to TP Flinders of AUD10,641,370 in June 2016.

3.5 Information on TPRE

TPRE was incorporated in Singapore on 15 July 2009 as a private limited company. As at the LPD, TPRE is a joint venture set up by its two shareholders, THCL and Plato, owning equal stake in both the ordinary shares and redeemable preference shares issued in TPRE.

Lim Kian Onn is the controlling shareholder of Plato whilst the shareholders of THCL is set out in **Section 5.2** of this Circular.

TPRE is principally involved in investment holding.

As at the LPD, the total issued share capital of TPRE is SGD22,852,100 comprising 100 ordinary shares and 22,852 redeemable preference shares.

As at the LPD, the details of the directors of TPRE and their shareholdings in TPRE are:

	Direct		Indirect	
Directors	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
Christopher Mark Anthony Lankester	-	-	-	-
Gareth Lim Tze Xiang	-	-	-	-
Oh Teik Khim	-	-	-	-
Navinderjeet Singh A/L Naranjan Singh	-	-	-	-

4. DETAILS OF THE PROPOSED TUNE HOTELS ACQUISITIONS

4.1 Introduction

The Proposed Tune Hotels Acquisitions involve the acquisition by our Company of the Tune Hotel Penang, the Tune Hotel KK and the rights to operate and manage the Tune Hotel KLIA Aeropolis from THSB for an aggregated purchase consideration of RM30,926,000, segregated in following manner:

	Tune Hotel Penang	**Tune Hotel KK**	**Tune Hotel KLIA Aeropolis**
Purchase consideration	RM21,000,000	RM9,000,000	RM926,000
Mode of settlement	(i) RM9,074,000 in cash; and (ii) RM11,926,000 via the allotment and issuance of the Tune Hotel Penang Consideration Shares	Entirely in cash	Entirely in cash

Please refer to **Parts B and C of Appendix III** of this Circular for further details of the Tune Hotel Penang and the Tune Hotel KK and **Part B of Appendix II** of this Circular for the salient terms of the KLIA Aeropolis Concession Agreement.

The manner of payment of the purchase consideration for the respective hotel properties is set out as below.

4.1.1 Tune Hotel Penang

(i) a cash deposit of RM2,100,000 (representing 10% of the purchase consideration) to our Company's solicitors upon execution of the Tune Hotel Penang SPA as follows:

(a) RM630,000 to be retained by our Company's solicitors for payment of the RPGT payable by THSB on the disposal of the property; and

(b) RM1,470,000, which our Company's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotel Penang SPA is fulfilled;

(ii) balance of RM18,900,000 on completion as follows:

(a) RM11,926,000, via the allotment and issuance of the Tune Hotel Penang Consideration Shares to the shareholders of THCL (as directed by THCL, who in turn is nominated by THSB to receive the Tune Hotel Penang Consideration Shares in accordance with the Proposed Tune Hotel Penang Plan of Arrangement); and

(b) RM6,974,000 in cash.

4.1.2 Tune Hotel KK

(i) deposit of RM900,000 (representing 10% of the purchase consideration) to our Company's solicitors upon execution of the Tune Hotel KK SPA as follows:

(a) RM270,000 to be retained by our Company's solicitors for payment of RPGT payable by THSB on the disposal of the property; and

(b) RM630,000, which our Company's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotels KK SPA is fulfilled;

(ii) balance of RM8,100,000 on completion.

4.1.3 Tune Hotel KLIA Aeropolis

(i) deposit of RM92,600 (representing 10% of the purchase consideration) to our Company's solicitors upon execution of the Tune Hotel KLIA Aeropolis SPA as follows:

(a) RM27,780 to be retained by our Company's solicitors for payment of RPGT payable by THSB on disposal of the property; and

(b) RM64,820, which our Company's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotel KLIA Aeropolis SPA is fulfilled;

(ii) balance of RM833,400 on completion.

Please refer to **Parts B, C and D of Appendix I** of this Circular for the salient terms of the above sale and purchase agreements.

4.2 Basis and justification of the purchase consideration

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

(i) in respect of the Tune Hotel Penang and the Tune Hotel KK, their respective market values;

(ii) in respect of the Tune Hotel KLIA Aeropolis, the net present value of the expected cash flow of the hotel of approximately RM1.7 to RM1.8 million, commencing from 2018 to 2034, being the expiry of the KLIA Aeropolis concession period and based on key assumptions which include forecasted room rates, occupancy rates, and other operating costs of the Tune Hotel KLIA Aeropolis;

(iii) the growth and prospects of Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis; and

(iv) the rationale and prospects of the Proposed Acquisitions as set out in **Sections 2.1 and 7.3** respectively of this Circular.

The settlement of part of the purchase consideration via the Tune Hotel Penang Consideration Shares will allow our Group to conserve cash reserves and strengthen our capital base.

In justifying the purchase consideration:

(a) in respect of the Tune Hotel Penang, the purchase consideration of RM21.0 million represents a discount of RM0.3 million or 1.4% to the latest market value of RM21.3 million as ascribed by Henry Butcher Penang.

Henry Butcher Penang ascribed a market value of RM21.3 million to the Tune Hotel Penang as at 12 April 2017 which was then updated on 11 September 2017. The update market value for the Tune Hotel Penang remains unchanged from the previous market value.

In arriving at the market value and the updated market value, Henry Butcher Penang used the DCF method (RM21.3 million) and cross-checked with the comparison method of valuation (RM23.2 million), and had adopted the DCF method as it is the preferred valuation method for hotel as an income generating property.

Please refer to **Appendix XII** of this Circular for the valuation certificate dated 25 May 2017 and the update valuation certificate dated 14 September 2017 in relation to the Tune Hotel Penang.

(b) in respect of the Tune Hotel KK, the purchase consideration of RM9.0 million represents a discount of RM0.7 million or 7.2% to the latest market value of approximately RM9.7 million as ascribed by Henry Butcher Sabah.

Henry Butcher Sabah ascribed a market value of RM9.7 million to the Tune Hotel KK as at 21 March 2017 which was then updated on 21 September 2017. The update market value for the Tune Hotel KK remains unchanged from the previous market value.

In arriving at the market value and the update market value, Henry Butcher Sabah used the DCF method (RM9.7 million) and the comparison method of valuation (RM11.3 million), and had adopted the DCF method as it is the preferred valuation method for hotel as an income generating property.

Please refer to **Appendix XII** of this Circular for the valuation certificate dated 15 May 2017 and the update valuation certificate dated 26 September 2017 in relation to the Tune Hotel KK.

(c) in respect of the Tune Hotel KLIA Aeropolis, the implied discount rate derived from the Tune Hotel KLIA Aeropolis' purchase consideration of approximately RM0.9 million under the DCF methodology is approximately 24.6%.

In light of the above:

- the implied discount rate derived from the Tune Hotel KLIA Aeropolis' purchase consideration of approximately 24.6% is higher than the average discount rate of approximately 7.6% derived from the unlevered beta of the Comparable Companies (see **Section 3.2.1(a)** of this Circular), the risk free rate and equity risk premium, as well as taking into consideration the capital structure of Tune Hotel KLIA Aeropolis over the KLIA Aeropolis Concession Agreement period; and

- furthermore, Mercury Securities, the Independent Adviser in respect of the Proposals, has ascribed an independent valuation of between approximately RM1.7 million and RM1.8 million to the Tune Hotel KLIA Aeropolis, as detailed in **Part B** of this Circular. Accordingly, the purchase consideration for the Tune Hotel KLIA Aeropolis of RM0.9 million is equivalent to a discount of approximately 44.6% to 47.5% to the range of the value ascribed by Mercury Securities.

The PER and the EV/EBITDA transaction multiples analysis based on the purchase consideration is not applicable as the Tune Hotel KLIA Aeropolis was loss-making and recorded negative EBITDA for its latest FYE 30 September 2016.

4.3 Conditions precedent of the Tune Hotel Penang SPA

The Tune Hotel Penang SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel Penang SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and our Company in writing:

(i) your approval by way of resolution passed at the forthcoming EGM of our Company;

(ii) our Company obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the Tune Hotel Penang Consideration Shares on the Main Market of Bursa Securities, which was obtained on 20 November 2017;

(iii) THSB having obtained (i) the consent from the existing chargee ("**Penang Existing Chargee**") in a form satisfactory to our Company for the disposal and the release of Tune Hotel Penang from all securities created over Tune Hotel Penang by THSB in favour of the Penang Existing Chargee, and (ii) the following documents:

(a) the original issue document of title in respect of the Tune Hotel Penang;

(b) the duly executed, valid and registrable (but unstamped) instrument of discharge of the existing charge with the Penang Existing Chargee;

(c) the registered duplicate of the existing charge with the Penang Existing Chargee; and

(d) all other security documents and other documents required from the Penang Existing Chargee to discharge the existing charge or the registration and to release of all other securities created over Tune Hotel Penang;

(iv) the TPRE SPA being unconditional;

(v) THCL obtaining the order from the High Court of Labuan approving the Proposed Tune Hotel Penang Plan of Arrangement;

(vi) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017;

(vii) the completion of a due diligence exercise based on such scope as our Company may deem fit and our Company being satisfied with the results thereof; and

(viii) any other regulatory, governmental or other approvals and consents, if required.

4.4 Conditions precedent of the Tune Hotel KK SPA

The Tune Hotel KK SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel KK SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and our Company in writing:

(i) our Company having obtained all the necessary written confirmation including but not limited to confirmation on the particulars of the property and THSB's ownership of property from the liquidator of the developer and consent from the same liquidator to purchase the property;

(ii) your approval by way of resolution passed at the forthcoming EGM of our Company;

(iii) THSB having obtained (i) the consent from the existing assignee ("**KK Existing Assignee**") in a form satisfactory to ECMLFG for the disposal and the release of the property and the initial sale and purchase agreements dated 22 May 2007 signed by THSB and the developer ("**KK Principal SPA**") from all securities created over the property and the KK Principal SPA by THSB in favour of the KK Existing Assignee, and (ii) the following documents:

(a) the existing assignment with the KK Existing Assignee;

(b) the KK Principal SPA;

(c) the duly stamped deed of receipt and reassignment for the reassignment of the existing assignment from the KK Existing Assignee; and

(d) all other security documents and other documents required from the KK Existing Assignee to reassign the existing assignment and to release of all other securities created over the property and the KK Principal SPA;

(iv) the TPRE SPA being unconditional;

(v) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017;

(vi) the completion of a due diligence exercise based on such scope as our Company may deem fit and our Company being satisfied with the results thereof; and

(vii) any other regulatory, governmental or other approvals and consents, if required.

4.5 Conditions precedent of the Tune Hotel KLIA Aeropolis SPA

The Tune Hotel KLIA Aeropolis SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel KLIA Aeropolis SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and our Company in writing:

(i) your approval by way of resolution passed at the forthcoming EGM of our Company;

(ii) THSB having obtained (i) the consent from the existing assignee ("**KLIA Aeropolis Existing Assignee**") having an assignment over the Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement in a form satisfactory to our Company for the disposal and the release of Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement from all securities created over Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement by THSB in favour of the KLIA Aeropolis Existing Assignee, and (ii) the following documents:

(a) the KLIA Aeropolis Concession Agreement; and

(b) all other security documents and other documents required from the KLIA Aeropolis Existing Assignee to release of all other securities created over Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreements;

(iii) the TPRE SPA being unconditional;

(iv) THSB having obtained the approval of MAP for the assignment and novation of the KLIA Aeropolis Concession Agreements and the novation agreement duly executed by MAP;

(v) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017;

(vi) the completion of a due diligence exercise based on such scope as our Company may deem fit and our Company being satisfied with the results thereof; and

(vii) any other regulatory, governmental or other approvals and consents, if required.

4.6 Franchise agreements, hotel management agreements and service agreements

As at the LPD, the operations of the respective hotel properties are subject to certain agreements as follows:

(i) in respect of the Tune Hotel KLIA2, the franchise agreement and the hotel management agreement, both dated 17 April 2017, entered into by TPSB with TH (Brandco) and TH Management, respectively;

(ii) in respect of the Tune Hotel Penang, the franchise agreement and the service agreement, both dated 12 November 2009, entered into by THSB with TH (Brandco) and TH Management, respectively, and the hotel management agreement dated 1 January 2011 entered into by THSB with TH Management;

(iii) in respect of the Tune Hotel KK, the franchise agreement and the service agreement, both dated 25 November 2009, entered into by THSB with TH (Brandco) and TH Management, respectively, and the hotel management agreement dated 1 January 2011 entered into by THSB with TH Management; and

(iv) in respect of the Tune Hotel KLIA Aeropolis, the franchise agreement and the service agreement, both dated 12 November 2009, entered into by THSB with TH (Brandco) and TH Management, respectively, and the hotel management agreement dated 1 January 2011 entered into by THSB with TH Management.

Under the terms and part of the Proposed Tune Hotels Acquisitions, it has been agreed that the operations of the "Tune Hotels" business shall be transferred as a going concern from THSB to our Company to ensure the continuity of the hotel operations at the respective hotel properties. As a result, the respective franchise agreements, service agreements and hotel management agreements for the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis are proposed to be novated to our Company.

The salient terms and conditions of the respective franchise agreements, service agreements and hotel management agreements for the Tune Hotel KLIA2, the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis are set out in **Parts D, E and F of Appendix II** of this Circular.

4.7 Original cost of investments

The original cost of investments of THSB in the respective hotel properties is set out below:

	Original cost of investment	**Investments made up to[1]**
Tune Hotel Penang	RM30.9 million	1 April 2009
Tune Hotel KK	RM12.4 million	15 April 2008
Tune Hotel KLIA Aeropolis	RM20.4 million	20 March 2009

Note:

(1) Being the date of commencement of operations.

4.8 Source of funding

The cash payment totaling RM19,000,000 for the hotel properties will be financed via external borrowings.

4.9 Information on THSB

THSB was incorporated in Malaysia on 9 December 2005 as a private limited company. As at the LPD, THSB is a wholly-owned subsidiary of Tune Hotels Real Estate Holdings Limited ("**THREH**"), a BVI Business Company incorporated in the British Virgin Islands, which is in turn a wholly-owned subsidiary of THCL.

THSB is principally involved in the business of owning properties and operating hotels under the "Tune Hotels.Com" franchise and holds the concession to build, operate and maintain the Tune Hotel KLIA Aeropolis under the KLIA Aeropolis Concession Agreement.

As at the LPD, the issued share capital of THSB is RM25,000,000 comprising 25,000,000 ordinary shares.

As at the LPD, the details of the directors of THSB and their shareholdings in THSB are:

	Direct		Indirect	
Directors	**No. of ordinary shares '000**	**%**	**No. of ordinary shares '000**	**%**
Tan Sri Dr Anthony Francis Fernandes	-	-	25,000[(1)]	100.0
Dato' Seri Kalimullah	-	-	-	-
Datuk Kamarudin bin Meranun	-	-	25,000[(1)]	100.0
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 interested by virtue of their interest in Tune Group Sdn Bhd pursuant to Section 8(4) of the Companies Act.

5. OTHER DETAILS RELATING TO THE PROPOSED ACQUISITIONS

5.1 Basis of determining and the justification of the Issue Price

The issue price of RM0.36 per Consideration Share was determined based on the targeted consolidated NA of our Company of approximately RM103.2 million after the Proposed Disposals and the Proposed Special Dividend but before the Proposed Acquisitions. Additionally, in arriving at the targeted level of consolidated NA, our Board has taken cognisance of our Group's level of operations, cash, business prospects, investment plans as well as current and expected obligations.

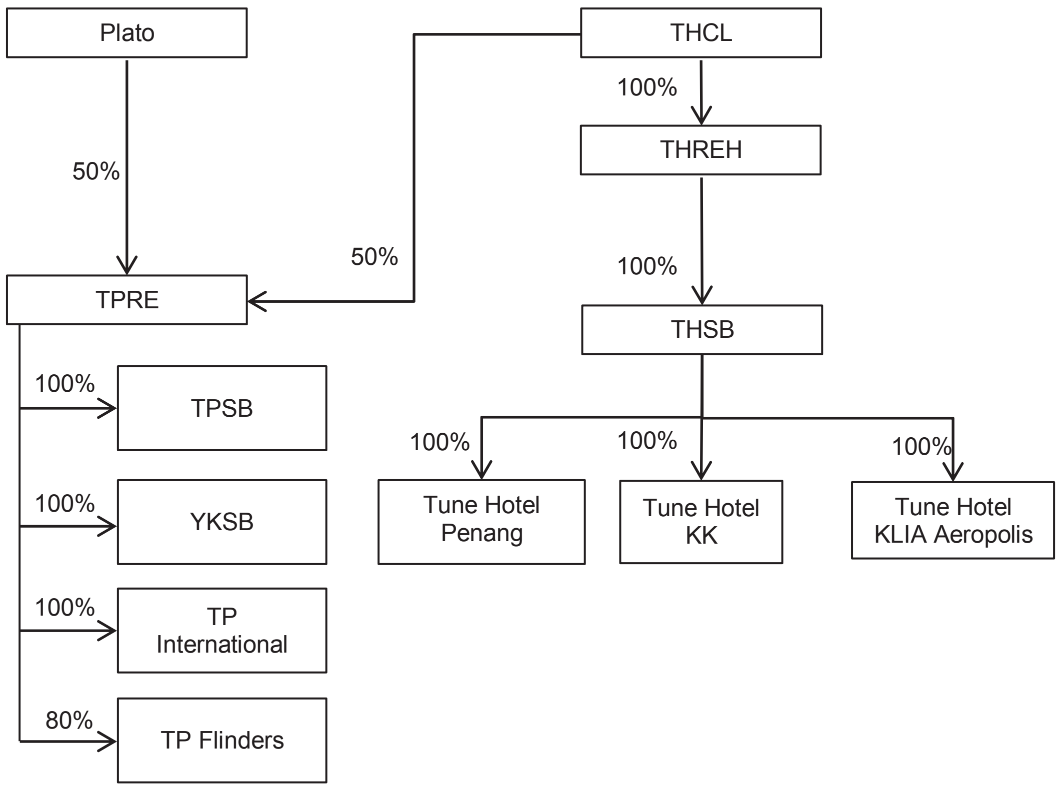
The Issue Price represents a premium of approximately 55.7% to the theoretical ex-dividend price of RM0.2312 per Share, which was arrived at after taking into consideration the following:

(i) 5-day volume weighted average market price of the Shares up to 3 May 2017 of RM0.3862, being the date immediately preceding the date of the TPRE SPA and Tune Hotel Penang SPA; and

(ii) illustrative special cash dividend of RM0.155 per Share under the Proposed Special Dividend ("**Illustrative Special Dividend Amount**"), based on the audited NA per Share of RM0.50 as at 31 December 2016 and after taking into consideration the expected gain of RM3.3 million from the Proposed Disposals.

5.2 Allottees of the Consideration Shares

The shareholding structure of the Target Entities and the ownership structure of the hotels properties under the Proposed Tune Hotels Acquisition are as follows:



The Proposed TPRE Plan of Arrangement and the Proposed Tune Hotel Penang Plan of Arrangement are to be undertaken by THCL as a single plan of arrangement (being the Proposed Plan of Arrangement) pursuant to the Section 118 of the Labuan Companies Act.

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Pursuant to the Proposed Plan of Arrangement, the shareholders of THCL shall receive the Consideration Shares in the following manner:

Shareholders of THCL	Shareholdings in THCL[1] (%)	TPRE Consideration Shares	Tune Hotel Penang Consideration Shares	Total Consideration Shares
Tune Group Sdn Bhd	56.97	91,276,132	18,874,348	110,150,480
Dato' Seri Kalimullah	13.54	21,689,950	4,485,112	26,175,062
Lim Kian Onn	13.59	21,779,413	4,503,612	26,283,025
Orix Corporation	9.12	14,612,248	3,021,564	17,633,812
Tune Strategic Investments Ltd	3.31	5,302,446	1,096,456	6,398,902
Tune Hotels Employee Holding Sdn Bhd	2.49	3,985,159	824,062	4,809,221
Tassapon Bijleveld	0.61	978,492	202,335	1,180,827
Sendjaja Widjaja	0.23	371,827	76,887	448,714
Christopher Mark Anthony Lankester	0.11	177,907	36,787	214,694
Ong Teck Khim	0.02	31,981	6,614	38,595
Total	**100.0**	**160,205,555**	**33,127,777**	**193,333,332**

Note:

(1) As at the LPD after completion of the Unpaid Shares Cancellation Exercise.

Pursuant to paragraph 6.06 of the Listing Requirements, specific shareholders' approval will be sought for the issuance and allotment of the Consideration Shares to Lim Kian Onn and Dato' Seri Kalimullah, who are directors of our Company.

5.3 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank equally in all respects with the existing Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions unless the allotment of the Consideration Shares were made on or prior to the entitlement date of such dividends, rights, allotments and/or other distributions.

For the avoidance of doubt, the Consideration Shares shall not be entitled to the Proposed Special Dividend as the Proposed Acquisitions will only be completed after the Proposed Special Dividend.

5.4 Listing of and quotation for the Consideration Shares

The Consideration Shares will be listed and quoted on the Main Market of Bursa Securities.

5.5 Assumed liabilities

Other than the pledging of the TPSB shares and the corporate guarantee to be provided by our Company to TPSB's financier under the Proposed Provision of Financial Assistance (as set out in **Section 3.1** of this Circular), there are no other liabilities, including any contingent liabilities and guarantees, to be assumed by our Company.

5.6 Estimated additional financial commitments

Save for the following, our Board does not foresee any other additional financial commitment required to put the business of the companies or assets acquired on-stream:

(i) renovation and refurbishment costs to be incurred in relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis of approximately RM6.0 million, which is expected to be funded internally; and

(ii) future development costs to be incurred for the development of Flinders Lane Property. The development costs to be incurred by our Company will depend on, among others, the time span of the development project, the type of development to be undertaken, financing cost as well as cost of raw materials, construction cost and other miscellaneous cost.

The scope of the renovation and refurbishment work on Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis and the development plans in respect of the Flinders Lane Property will only be determined and finalised after the completion of the Proposed Acquisitions.

6. DETAILS OF THE PROPOSED COLLABORATION

6.1 Introduction

The Proposed Collaboration involves the following collaboration by TH (Brandco) and our Company, wherein:

(i) TH (Brandco) would grant our Company the right to use and for our Company to grant franchise of the "Tune Hotels.Com" brand as the worldwide master franchisor for new business after the date of completion of the TPRE SPA, and for our Company to receive all revenue derived from such new business successfully secured by our Company as worldwide master franchisor;

(ii) our Company would in turn, at the cost of TH (Brandco) provide and contribute our management expertise (including financial investment, strategic review, fund raising), and where necessary second necessary personnel and staff to TH (Brandco) at cost plus 10%; and

(iii) save for the secondment costs stated above, unless otherwise agreed by TH (Brandco) and our Company in writing, TH (Brandco) and our Company shall bear their own costs and expenses in performing their obligations under the Collaboration Agreement.

Please refer to **Part C of Appendix II** of this Circular for the salient terms of the Collaboration Agreement.

6.2 Background of the Tune Hotels Group

TH (Brandco) is a wholly-owned subsidiary of THCL. Under the umbrella of the Tune Hotels Group, TH (Brandco) holds all rights in the "Tune Hotels.Com" tradename, trademark and brand image, including all branding rights and other associated intellectual property rights.

The Tune Hotels Group was established in 2006 and has built a strong track record within the limited services hotel industry. Today, the Tune Hotels Group has under franchise 17 limited service hotels with a global foot print spanning Malaysia, India, Indonesia and the United Kingdom for which it owns and manages the Tune Hotels located in Downtown Kuala Lumpur, Danga Bay in Johor, Downtown Penang (being the Tune Hotel Penang), Kota Kinabalu (being the Tune Hotel KK), KLIA Aeropolis (being the Tune Hotel KLIA Aeropolis) and KLIA2 (being the Tune Hotel KLIA2).

The core proposition of the Tune Hotels Group has been to offer a great night's sleep at a great price. This has been achieved using space-efficient, streamlined rooms focusing on high-quality basics, such as comfortable beds and powerful hot showers. The Tune Hotels Group also constantly upgrades its products to meet the ever changing demands of its customers as the hotel industry evolves.

Key members of the Tune Hotels Group management team include:

Name	Position	Description
Christopher Mark Anthony Lankester	Chief Executive Officer	Mark Lankester is the Chief Executive Officer of the Tune Hotels Group and has been with the Tune Hotels Group since 2007. As the Chief Executive Officer, he has been instrumental in the growth of the group internationally and more recently, has been actively repositioning the Tune Hotels Group's product. He was previously with Warner Music Group for 15 years at various positions including the position of Managing Director.
Navinderjeet Singh A/L Naranjan Singh	Head of Operations	Navin has been with the Tune Hotels Group since 2014. As the Head of Operations, he has played numerous roles within the group and spearheaded the reorganisation of the finance function. Navin was previously an accountant who practiced in New Zealand for 4 years.

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7. INDUSTRY OVERVIEW AND PROSPECTS

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

The tourism industry is one of the key drivers of economic growth in Malaysia.

The Government continues to implement various ecotourism projects to accelerate the growth of tourism industry. The projects include the upgrading of infrastructure in Burlington Taman Kinabalu and Tabin's Wildlife Reserve in Sabah and Sungai Cherating in Pahang. Furthermore, efforts were intensified to promote Malaysia as the preferred tourist destination through Visit ASEAN@50 campaign, and the hosting of the 29th South East Asian Games and the 9th ASEAN Para Games in 2017. To attract 32 million tourist arrivals this year, the e-Visa was expanded to include more countries such as Bhutan, Sri Lanka, Serbia and Montenegro.

During the first half of 2017, the accommodation sector grew 4.8% (January–June 2016: 4%) mainly supported by domestic tourism activities, opening of new budget hotels and aggressive online promotions. Tourist arrivals contracted 1.5% during the first eight months of 2017 (January–August 2016: 3.8%). Nevertheless, the introduction of new direct flights to the country as well as the hosting of the ASEAN Para Games, Formula 1 Petronas Malaysia Grand Prix and Shell Malaysia Motorcycle Grand Prix are expected to support growth of the segment. For the year, the subsector is projected to grow 7.6% (2016: 7.1%).

The air transport segment expanded 3.4% (January–June 2016: 2.5%) supported by higher international passenger movement. The air passenger volume surged 12.3% (January–June 2016: 2.1%) with international passenger traffic recording a growth of 15.4% (January–June 2016: 5%) largely spurred by higher tourist arrivals from China and competitive fares offered by airlines. Likewise, domestic passenger movement turned around sharply by 9.6% (January–June 2016: -0.4%) following higher travels during festivities and the fasting month.

(Source: Chapter 1 & 3: Economic Performance and Prospects, Economic Report 2017/2018, Ministry of Finance, Malaysia)

7.2 Outlook and future prospects of the tourism and hospitality industry in Australia

Over the next 2 years, international visitor numbers to Australia are expected to increase 13.1%, from 8.6 million in 2016–2017 to 9.2 million in 2017–2018 and 9.7 million in 2018–20019. In this environment, the volume of Asian visitors is expected to increase 17.4% in the 2 years to 2018–2019, from 4.2 million in 2016–2017 to 4.5 million in 2017–2018 and 4.9 million in 2018–2019.

The result of this above average growth is that Asia will account for over half of all visitors to Australia during 2018–19, compared with 48% in 2016-17. Asia will also account for 64% of all visitor growth between these 2 time points, which China alone making a 29% contribution, followed by Japan (5.7%) and India (5.2%).

Over the longer term, Australia will continue to have a proportion of its visitors from the top 5 inbound markets – China, New Zealand, the United States of America, the United Kingdom and Singapore. Collectively, these 5 countries are forecast to provide almost two-thirds (62%) of the additional 6.5 million arrivals expected in 2026-27.

In 2017-18, only modest increases are forecast for domestic visitor nights, up 1.5% to 343 million nights, and day trips, up 2.6% to 191 million trips. As economic growth picks up through 2018-19, and the Australian dollar remains near its long-term average, there will be a commensurate increase in domestic tourism activities, with domestic visitor nights up 2.9% and day trips up 3.7%.

There are also some draw card events in 2017-18 that should boost domestic travel and international travel. Aside from the Ashes series, there are the Commonwealth Games to be held on the Gold Coast in April 2018.

Over the 10 years to 2026-27, growth in domestic tourism has been moderated from that previously forecast. Day trips are now projected to increase at an average annual rate of 2.9% for the 10 years to 2026-27 (down from the previously published 4.3%), while domestic visitor nights will grow at an average annual rate of 2.2% (down from 3.5%).

Total Tourism Expenditure

In real terms, total tourism spend, which includes spend by international visitors, plus overnight and day trip spend by Australian residents, is forecast to increase 4.7% to AUD126.2 billion in 2017−18. Total spend will then increase a further 4.6% to AUD131.9 billion in 2018−19. Over this period, the most rapidly growing spend segment will be international travel.

These spend trends are expected to persist over the longer term, with the 10-year average growth rate of 3.7% being the net effect of:

- 6.7% average annual growth in international spend, from AUD39.8 billion in 2016–17 to AUD75.8 billion in 2026–27;
- 2.1% average annual growth in domestic overnight spend, from AUD61.4 billion in 2016–17 to AUD75.5 billion in 2026–27; and
- 1.3% average annual growth in day trip spend, from AUD19.3 billion in 2016–17 to AUD21.9 billion in 2026–27.

Due to these differing growth rates, there will be substantial changes in shares for each type of travel. Therefore, by 2026–27, the forecast total visitor spend of AUD173.3 billion (in real terms) is expected to comprise:

- 44% share of spend from international visitors, up from 33% in 2016–17;
- 44% share of spend from domestic overnight travel, down from 51% in 2016–17; and
- 13% share of spend from day trips, down from 16% in 2016–17.

By 2026–27, the 5 largest inbound markets in terms of visitor spend will be China, the United States, the United Kingdom, New Zealand and India, which collectively will contribute over 58% of inbound visitor spend. China's dominance is set to continue, and is expected to account for 46% of the increase in spend between 2016–17 and 2026–27.

(Source: Tourism Forecasts 2017, Tourism Research Australia)

7.3 Prospects of the Tune Hotel KLIA2, the Flinders Lane Property, YKSB, the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

The future outlook of the Proposed Acquisitions is encouraging due to the increasing reputation of Malaysia and Australia as tourist destinations. Additionally, the Governments' recognition of tourism as an important major industry coupled with their respective concerted efforts to improve and encourage tourism augurs well for the hotel and tourism sector.

The hotels to be purchased, as well as the Flinders Lane Property are all located strategically:

(i) Tune Hotel KLIA2 and Tune Hotel KLIA Aeropolis are located within the vicinity of KLIA2;

(ii) Tune Hotel Penang is located along Jalan Burma, a major road at the heart of Georgetown;

(iii) Tune Hotel KK is located within 1Borneo Hypermall, one of the largest mall in East Malaysia; and

(iv) Flinders Lane Property is in the southwest corner within the Melbourne CBD and is supported by a good transportation network.

7.3.1 Tune Hotel KLIA2

KLIA2 opened on 2 May 2014 with the aim of becoming Malaysia's Next Generation Hub that allows seamless connectivity for both local and international low-cost plus full-service carriers. It was built to replace the Low Cost Carrier Terminal ("**LCCT**") with bigger and better facilities, and is planned to accommodate 45 million passengers a year.

Based on MAHB's report dated 10 October 2017, the year-to-date (September 2017) passenger traffic for the KLIA2 terminal recorded 22.2 million passengers, an increase of 10.6% over the same period in 2016. The airport is relatively new and is expected to grow in the future, which will also facilitate development of the tourism and hospitality industry in Malaysia.

For the 12 months ended September 2017, KLIA2 handled 29.2 million passengers, a 7.0% growth from the previous year.

(Sources: KLIA2 website, MAHB's Passenger Traffic Snapshot Report dated 10 October 2017)

Since starting in late 2014, Tune Hotel KLIA2 has shown strong financial performance registering PAT of RM5.4 million for the FYE 30 September 2016, as compared to the prior year of RM2.4 million, representing a growth rate of more than 100%.

The hotel has proven to be successful due to its strategic location at the KLIA2 terminal and good operational performance. This has enabled Tune Hotel KLIA2 to grow steadily together with KLIA2's increase in passenger traffic and flights.

(Source: Management of ECMLFG)

7.3.2 Flinders Lane Property

The Flinders Lane Property is well located with dual frontage to Flinders Street and Flinders Lane, in the south western corner of the Melbourne CBD and close proximity to major roads, retail and public transport facilities, which provide an attractive location for a hotel development. In particular, it is within walking distance to key attractions such as Melbourne Exhibition Centre, Etihad Stadium, Eureka Tower and the Crown Casino. It is also within 1 km of both Flinders Street and Southern Cross stations which are major railway and public transport hubs.

(Source: Management of ECMLFG)

In 2015–16, the Australian accommodation sector continued to perform well according to the Australian Bureau of Statistics' Survey of Tourist Accommodation:

- National room supply increased 1.4% to 249,131 rooms. This was driven by stronger growth in capital cities (up 2.1% to 133,153 rooms) compared to regional areas (up 0.6% to 116,978 rooms);
- Accommodation demand (room nights occupied) increased 3.7% (or 2.1 million nights) to 59.8 million nights. This increase in demand saw room occupancy increase 1.2 percentage points to 66%; and
- Revenue per room night available ("**RevPAR**") continued to increase (up 3.8% to AUD115 per night) driven by capital cities (up AUD4.20 to AUD145 per night), but regional areas continued to increase at rates above inflation (up AUD3.70 to AUD81 per night).

According to Deloitte Access Economics' *Tourism and Hotel Market Outlook 2017*, strong growth in tourism demand is expected to continue to deliver positive results for the accommodation sector, heavily dominated by supply expectations:

- Room stocks are expected to expand by 15,800 rooms by December 2019, with 122 establishments in the supply pipeline;
- Room occupancy is expected to reach 70.8% by December 2019. This is somewhat lower than previous forecasts due to greater increases in supply, with room nights available expected to expand 2.1% per year, while room nights occupied will increase by 2.7% per year; and
- Average room rates are expected to increase 2.5% per year, driving RevPAR up 3.1% per year to AUD123 by December 2019.

The development pipeline remains relatively large for Sydney, Melbourne, Brisbane and Perth, with these markets expected to drive room supply.

(Source: Tourism Forecasts 2017, Tourism Research Australia)

7.3.3 YKSB

YKSB was incorporated as part of the measures to enhance guest/customer experience at Tune Hotels. A key component of this initiative is by providing quality food and beverage offerings in contemporary and comfortable locations.

(Source: Management of ECMLFG)

7.3.4 Tune Hotel Penang

After the completion of the acquisition, the financial performance for Tune Hotel Penang is expected to improve with a proposed re-positioning, involving a sensible refurbishment exercise, different products, pricing and sales and marketing strategies to build the base business. The ensuing hotel refurbishment exercise provides a major upgrade to the hotel lobby and façade, while upgrading the existing furniture and fittings of the standard rooms and introduction of some new room types.

Due to its strategic location, the property also has redevelopment potential.

(Source: Management of ECMLFG)

In terms of tourism, Penang has been one of the leading states in Malaysia as the industry has dominated 40% of the overall state's economy. Based on data collected by Tourism Malaysia, in 2016 alone, the state received 6.4 million domestic and international tourist arrivals, ranking Penang at number 4 at having the most registered hotel guests (after Kuala Lumpur, Johor and Pahang), despite being the second smallest Malaysian state.

The 2016 average occupancy rate of hotels in Penang stands at 63.9%, which is higher than the 57.4% average of Malaysia's.

From 2011 to 2016, Malaysia as a whole had a 40.8% increase in total receipts (RM58.3 billion to RM82.1 billion) on the back of an 8.3% increase in the number of arrivals (24.7 million to 26.8 million). These numbers look promising on Penang's tourism growth since Penang makes up about 24.5% of all arrivals to Malaysia and the arrival number is expected to be steadily growing.

Recent additions of several new tourist attractions such as the The Habitat on Penang Hill (a nature-based attraction) and Design Village Penang outlet mall (the first outlet mall in the northern region), among others further enhance Penang's profile as a top tourist destination in Malaysia.

(Source: Tourism Malaysia Website (www.tourism.gov.my)

Given that Penang is a leading tourist destination in Malaysia and with the expected repositioning of Tune Hotel Penang, our Company is of the view that occupancy rate at the hotel will improve and accordingly, its performance.

7.3.5 Tune Hotel KK

After the completion of the acquisition, the financial performance for Tune Hotel KK is expected to improve with a proposed refurbishment exercise involving among others, an upgrade to the standard rooms and introduction of new room types.

(Source: Management of ECMLFG)

Kota Kinabalu is the capital of the state of Sabah, Malaysia. In 2016, Sabah recorded its best year ever, achieving record tourist arrivals and tourism receipts.

Datuk Seri Masidi Manjun, State Tourism, Culture and Environment Minister said that Sabah saw a 10% increase in tourist arrivals in the first 7 months of 2017 compared to the same period last year, generating RM4.1 billion in tourism receipts. This comes on the back of 2016 recording the best year ever receiving an all-time high of 3.4 million tourist arrivals and RM7.3 billion tourism receipts. In comparison to 2015, tourist arrivals saw an increase of 7.9%, while tourism receipts rose 9.7%.

(Source: "Sabah sees 10% increase in tourist arrivals this year: Patrick", Free Malaysia Today, September 14 2017)

In addition to Sabah's booming tourism sector, Datuk Joniston Bankuai, chairman of the Sabah Tourism Board has said that he considers budget hotels to be a key component of Sabah's tourism industry, as they play an important role in offering accommodation options to tourists and visitors to the state.

(Source: "Budget hotels help keep Sabah's tourism engine humming: Joniston", New Straits Times, 2 April 2017)

Hotels in and around the Kota Kinabalu city generally have higher occupancy rates from 65% - 70% compared to other districts in Sabah as Kota Kinabalu is the transit point for most international travellers into Sabah and most of these hotels are within the city where demand is much more consistent from both tourists and business travellers alike.

(Source: Henry Butcher Malaysia Research)

7.3.6 Tune Hotel KLIA Aeropolis

During the FYE 30 September 2015, Tune Hotel KLIA Aeropolis did not operate due to the relocation of airport operations from the LCCT terminal to KLIA2 terminal. Tune Hotel KLIA Aeropolis recommenced operations in August 2016 after some refurbishment to cater for renewed hotel room demand within the vicinity, including that of KLIA2.

Currently, Tune Hotel KLIA Aeropolis has a 6-month rolling arrangement with a major airline for a significant number of rooms to be rented as accommodation for cabin crew and guest operations staff that frequent the nearby airline training academy, while the balance of rooms are available for the general public.

The acquisition of Tune Hotel KLIA Aeropolis is viewed as a complementary acquisition with Tune Hotel KLIA2 (via TPSB) as it serves as an alternative to the latter. There is a dedicated shuttle van commuting between the two hotels at a regular schedule. Tune Hotel KLIA Aeropolis provides the benefit of being able to absorb guest overflows in the event of delayed or cancelled flights at KLIA2 as Tune Hotel KLIA2 generally experiences high occupancy.

(Source: Management of ECMLFG)

The Digital Free Trade Zone ("**DFTZ**"), which will be located at KLIA Aeropolis, was announced on 22 March 2017 in Kuala Lumpur. It is the first digital free trade zone in the world outside China. DFTZ is an initiative under the National eCommerce Strategic Roadmap, which aims to double eCommerce growth from 10.8% to 20.8% and increase contribution to GDP by RM211 billion by 2020.

DFTZ will facilitate Small and Medium Enterprises ("**SMEs**") to export their products globally and provide market players with a holistic eCommerce trading experience. The experience is made possible, through a strategic location equipped with world class facilities; an integrated digital eServices platform to access leading global service providers; and an improved regulatory process leading to increased efficiency in customs and cargo clearance. DFTZ will also enable global market players to source from Malaysian producers or sellers, making the country a regional fulfillment hub for global brands. In this regard, the government aims to attract 1,500 SMEs to participate in the DFTZ platform by the end of 2017 and another 8,000 in 2018. In addition, DFTZ is expected to increase SMEs share to GDP by more than 60%, create 60,000 jobs and double SMEs exports to RM162.9 billion by 2025.

The DFTZ was officially opened on 3 November 2017.

Tune Hotel KLIA Aeropolis, being in the vicinity of KLIA Aeropolis, is poised to benefit from the establishment of the DFTZ.

(Source: "Najib: Almost 2,000 SMEs want in on Digital Free Trade Zone", The Star Online, 31 October 2017, and Chapter 1: Economic Performance and Prospects, Economic Report 2017/2018, Ministry of Finance, Malaysia)

8. DETAILS OF THE PROPOSED SPECIAL DIVIDEND

Subject to the Proposed Disposals becoming unconditional but before completing the Proposed Acquisitions, it is the intention of our Board to declare a special cash dividend of an amount which will result in our Company's consolidated NA being adjusted to approximately RM103.2 million or about RM0.36 per Share, of which RM28,000,000 will be funded from the proceeds arising from the Proposed Disposals and the balance from existing cash reserves.

For illustration purposes only, based on the consolidated audited NA of our Company of RM144.3 million or RM0.50 per Share as at 31 December 2016 and after taking into consideration the expected gain of RM3.3 million from the Proposed Disposals, the illustrative special dividend amounts to about RM44.5 million or RM0.155 per Share.

As the Illustrative Special Dividend Amount is referenced to our Company's latest audited consolidated financial position, it is subject to change depending on the consolidated NA of our Company preceding the completion of the Proposed Acquisitions. The eventual amount of special dividend to be declared is dependent on the latest announced consolidated NA of our Company preceding the completion of the Proposed Acquisitions, after taking into account the Proposed Disposals.

For example, based on our Company's latest available unaudited consolidated NA as at the LPD of RM145.6 million or RM0.51 per Share as at 30 June 2017, and after taking into consideration the expected gain of RM3.3 million from the Proposed Disposals, the illustrative special dividend would amount to approximately RM45.7 million or RM0.159 per Share.

The purpose of the Proposed Special Dividend is to reward shareholders for their investment in our Company.

Under the Bangunan ECM Libra Disposal SPA Supplemental Letter, the LKO Group has elected to nominate Noblemen to receive all and any of the dividends they are entitled to receive pursuant to the Proposed Special Dividend ("**LKO Group's Dividend Portion**"). It is intended for the LKO Group's Dividend Portion to be applied against part of the disposal consideration payable by Noblemen to our Company for the Proposed Bangunan ECM Libra Disposal as an offset which is described in **Section 9.1(i)** of this Circular.

For the avoidance of doubt, the Consideration Shares shall not be entitled to the Proposed Special Dividend as the Proposed Acquisitions will only be completed after the Proposed Special Dividend.

9. DETAILS OF THE PROPOSED DISPOSALS

9.1 Proposed Bangunan ECM Libra Disposal

(i) Introduction

The Proposed Bangunan ECM Libra Disposal involves the disposal to Noblemen of the East Wing and Centre Wing of Bangunan ECM Libra together with existing tenancies, for a cash consideration of RM24,000,000, which is payable in the following manner:

(a) a deposit of RM2,400,000 (representing 10% of the disposal consideration) to our Company's solicitors as stakeholders upon execution of the Bangunan ECM Libra Disposal SPA in the following manner:

(aa) RM720,000 to be retained by our Company's solicitors for payment of RPGT payable by our Company on the disposal of the property, if any; and (bb) RM1,680,000 which our Company's solicitors are authorised to release to our Company within 5 business days from the date the last condition precedent of the Bangunan ECM Libra Disposal SPA is fulfilled;

(b) balance of RM21,600,000 ("**Balance Disposal Consideration**") within 90 days from the date the Bangunan ECM Libra Disposal SPA becoming unconditional.

The Balance Disposal Consideration after deducting the LKO Group's Dividend Portion ("**Cash Portion**") shall be paid to our Company's solicitors within 3 business days after the Proposed Special Dividend is declared and announced by our Company but at all times after the Bangunan ECM Libra Disposal SPA becomes unconditional and after the issuance of the notice of stamp duty in respect of the disposal by the relevant stamp office.

The Bangunan ECM Libra Disposal SPA shall be completed on the payment date of the Proposed Special Dividend when (i) our Company's solicitors release the Cash Portion to us; (ii) the LKO Group's Dividend Portion is applied against the Balance Disposal Consideration; and (iii) our Company's solicitors are authorised to register the transfer of the East Wing and Centre Wing of Bangunan ECM Libra.

Bangunan ECM Libra is a 3½-storey building with 1 level of sub-basement and 3 levels of basement car parks of which the car parks and West Wing, measuring approximately 41,896 square feet is currently owned by the ECM Libra Foundation, a charitable organization. As at the LPD, the East Wing and Centre Wing of Bangunan ECM Libra is occupied by our Group (approximately 24%), tenanted by third parties (approximately 70%) and the remainder is vacant (approximately 6%).

Our Group's total rental income for the East Wing and the Centre Wing of Bangunan ECM Libra for the 11-month FPE 31 December 2016 was approximately RM1.2 million. Against this rental income, our Group incurred building maintenance expenses of approximately RM1.1 million and recognized associated depreciation charges of approximately RM0.7 million during the same period.

Further information on the East Wing and Centre Wing of Bangunan ECM Libra is summarised in **Part D of Appendix III** of this Circular.

(ii) Basis of the disposal consideration

The disposal consideration of RM24.0 million was arrived at on a willing buyer-willing seller basis after taking into the market value of the East Wing and Centre Wing of Bangunan ECM Libra as ascribed by Henry Butcher, as well as the location of the property.

The market value of the East Wing and Centre Wing of Bangunan ECM Libra as ascribed by Henry Butcher was approximately RM23.0 million as at 6 April 2017, using the comparison method and the investment method, for which the comparison method was adopted in formulating the market value.

An update to the market value was carried out by Henry Butcher on 15 September 2017 where the market value of the East Wing and Centre Wing of Bangunan ECM remains unchanged from the previous market value.

The disposal consideration represents a premium of RM1.0 million or 4.3% to the latest market value.

In justifying the disposal consideration for the Proposed Bangunan ECM Libra Disposal, the net book value of the East Wing and Centre Wing of Bangunan ECM Libra held by our Company of approximately RM23.9 million as at 31 December 2016 was considered.

Please refer to **Appendix XII** of this Circular for the valuation certificate dated 25 May 2017 and the update valuation certificate dated 15 September 2017 in relation to the East Wing and Centre Wing of Bangunan ECM.

(iii) Conditions precedent of the Bangunan ECM Libra Disposal SPA

The Proposed Bangunan ECM Libra Disposal is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Bangunan ECM Libra Disposal SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed upon by Noblemen and our Company in writing:

(a) your approval by way of resolution passed at the forthcoming EGM of our Company;

(b) our Company obtaining the consent from ECM Libra Foundation for (a) the purchaser, Noblemen to register the title to the land under its name; and (b) to release our Company from our obligation to procure the subdivision of the building in accordance with the Strata Titles Act 1985 at our own cost and expenses and the issuance of separate strata titles for the units in Bangunan ECM Libra, which was obtained on 3 July 2017;

(c) the TPRE SPA being unconditional; and

(d) any other regulatory, governmental or other approvals and consents, if required.

(iv) Original cost of investment/gain on disposal

Bangunan ECM Libra was acquired by our Company through a merger between our Company and Avenue Capital Resources Berhad in 2006. The cost of investment to our Group was approximately RM12.6 million after excluding the portion owned by the ECM Libra Foundation. Up to 31 December 2016, subsequent renovations were added at an aggregate cost of RM12.5 million.

The Proposed Bangunan ECM Libra Disposal is expected to result in a gain of approximately RM3.3 million to our Group.

9.2 Proposed Semi-D Disposal

(i) Introduction

The Proposed Semi-D Disposal involves the disposal to Noblemen of the Semi-D Property for a cash consideration of RM4,000,000, which is payable in the following manner:

(a) a deposit of RM400,000 (representing 10% of the disposal consideration) to our Company's solicitors as stakeholders upon execution of the Semi-D Disposal SPA in the following manner:

(aa) RM120,000 to be retained by our Company's solicitors for payment of RPGT payable by our Company on the disposal of the property, if any; and (bb) RM280,000, which our Company's solicitors are authorised to release to our Company within 5 business days from the date the last condition precedent of the Semi-D Disposal SPA is fulfilled;

(b) balance of RM3,600,000 within 90 days from the date the Semi-D Disposal SPA becoming unconditional.

The balance RM3,600,000 shall be paid to our Company's solicitors within 3 business days after the Proposed Special Dividend is declared and announced by our Company but at all times after the date the Semi-D Disposal SPA becomes unconditional and after the issuance of the notice of stamp duty in respect of the disposal by the relevant stamp office.

The Semi-D Disposal SPA shall be completed on the payment date of the Proposed Special Dividend when (i) our Company's solicitors release the balance RM3,600,000 to us; and (ii) our Company's solicitors are authorised to register the transfer of the Semi-D Property.

Further details on the Semi-D Property are summarised in **Part E of Appendix III** of this Circular.

(ii) Basis of the disposal consideration

The disposal consideration of RM4.0 million was arrived at on a willing buyer-willing seller basis at the market value of the Semi-D Property as ascribed by Henry Butcher, as well as the location of the property.

The market value of the Semi-D Property as ascribed by Henry Butcher was RM4.0 million as at 6 April 2017, using the comparison approach. The valuation on the Semi-D Property was carried out under the comparison method only as the property is vacant.

An update to the market value was carried out by Henry Butcher on 18 September 2017 where the market value of the Semi-D Property remains unchanged from the previous market value.

The disposal consideration is equivalent to the latest market value.

Please refer to **Appendix XII** of this Circular for the valuation certificate dated 25 May 2017 and the update valuation certificate dated 20 September 2017 in relation to the Semi-D Property.

(iii) Conditions precedent of the Semi-D Disposal SPA

The Proposed Semi-D Disposal is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Semi-D Disposal SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed upon by Noblemen and our Company in writing:

(a) your approval by way of resolution passed at the forthcoming EGM of our Company;

(b) the TPRE SPA being unconditional; and

(c) any other regulatory, governmental or other approvals and consents, if required.

(iv) Original cost of investment/loss on disposal

The Semi-D Property was acquired by our Company on 1 December 2015 at a total cost of approximately RM4.0 million.

The Proposed Semi-D Disposal is expected to result in a loss of approximately RM11,000 to our Group.

9.3 Information on Noblemen

Noblemen was incorporated in Malaysia on 22 March 2017 as a private limited company. As at the LPD, the issued share capital of Noblemen is RM100 comprising 100 ordinary shares.

Noblemen is principally involved in investment holding. As at the LPD, the directors of Noblemen are Lim Kian Onn and Dato' Seri Kalimullah. Lim Kian Onn and Dato' Seri Kalimullah have a 60% and 40% effective interest in Noblemen, respectively.

9.4 Liabilities to be assumed by Noblemen

Save for the obligation to procure the sub-division of the entire Bangunan ECM Libra, there are no liabilities, including any contingent liabilities and guarantees, to be assumed by Noblemen pursuant to the Proposed Disposals.

9.5 Utilisation of proceeds

The proceeds from the Proposed Disposals will be utilised to part fund the Proposed Special Dividend.

10. DETAILS OF THE PROPOSED DIVERSIFICATION

The existing business activities of our Group consist of general investments, management of unit trust funds and asset management, structured lending and financial-related services. For the 11-month FPE 31 December 2016, our existing business activities generated profit after tax of approximately RM6.0 million.

Since the FYE 31 January 2013, after the disposal of our investment banking business, our Group has experienced fluctuations in our revenue and earnings, partly due to exposure to fluctuations of the financial markets. The Proposed Acquisitions will serve to diversify our revenue and earnings stream and is expected to provide a new earnings driver to mitigate the volatility of our Group's financial performance.

From the perspective of venturing into a new business area, the hotel business provides our Group with an opportunity to derive earnings from a sector that is promising and not related to the financial markets while at the same time provide an underlying asset base derived from the hotel properties acquired. As a result, apart from deriving the economic benefits from operating the hotels, we expect to also benefit from capital appreciation from long term increase in property values.

In deciding to venture into the hotel business, our Board has taken into consideration the following factors:

(i) the outlook and future prospects of the tourism and hospitality industry, as set out in **Sections 7.1** and **7.2** of this Circular; and

(ii) the prospects of the respective hotel properties to be acquired, as set out in **Section 7.3** of this Circular.

The above factors are expected to contribute positively to our Group's future earnings and improve our Group's financial position and ultimately benefit our shareholders.

Upon completion of the Proposed Acquisitions, our Group's business will be diversified to include hotel ownership and management in addition to that of our existing business activities. The Proposed Acquisitions would result in a diversion of more than 25% of the NA of our Group.

Paragraph 10.13(1) of the Listing Requirements states that a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:

(i) the diversion of 25% or more of the NA of the listed issuer to an operation which differs widely from those operations previously carried out by the listed issuer; or

(ii) the contribution from such operation of 25% or more of the net profits of the listed issuer.

In this regard, your approval is sought for the Proposed Diversification pursuant to the Listing Requirements. Notwithstanding the Proposed Diversification, we intend to continue operating our Group's existing core business and is continuously evaluating ways to improve our Group's performance.

10.1 Overview of the hotel ownership business

For the acquisition of the Tune Hotel KK and the Tune Hotel Penang, our Company is purchasing the ownership of the hotel properties.

As a hotel owner, our Company can either opt to enter into long term agreements with third parties to brand and manage the property, or to undertake these activities on our own. In addition to owning and operating a hotel property, we may also develop our own unique hotel branding, operating systems and know-how that involves expertise and technical knowledge related to the marketing and operations of a hotel property or business that we can undertake on our own or offer to other parties in the form of a franchise, license or otherwise.

As mentioned in **Section 4.6** of this Circular, for the Proposed Tune Hotels Acquisitions, our Company intends to enter into novation agreements to novate the existing franchise agreements, hotel management agreements (which relate to the provision of day-to-day management and overall business operations of the hotels) and service agreements (which relate to the provision of hotel support services such as induction training, advertising and promotion activities, pricing and revenue management) to our Company so that the hotels acquired will continue to be branded and managed under the "Tune Hotels.Com" brand.

Hotel properties that have these arrangements typically involve the hotel owners paying a percentage of revenue earned as a fee or by other fee arrangements, in exchange for the franchisor providing, amongst others:

(i) setting up and maintaining a reliable and secure room booking and payment system for customers (online website or through intermediaries). The room booking system is very important as it is a key customer touchpoint and will ensure that the reservation is captured properly; and

(ii) promoting the hotel brand such that it appeals and attracts customers to choose the property based on brand perception.

There are also other management and service arrangements that can be outsourced to specialized hotel service providers, where in exchange for the hotel owner paying a fee in the form of a percentage of revenue earned or by other fee arrangements, the service provider will take charge of the hotel operations on a day-to-day basis to ensure that the hotel operates in accordance to standards on all aspects of operations including, but not limited to:

(i) front desk management;

(ii) housekeeping services;

(iii) property maintenance;

(iv) customer service / experience; and

(v) security.

Similar to other businesses, hotel management also includes maximizing the hotel owner's profitability and this can be done by undertaking various strategies, including any or a combination of the following:

(i) increasing revenue by introducing new revenue streams / upselling;

(ii) managing costs efficiently through streamlined processes and bulk procurement;

(iii) maintaining the condition of the hotel at a reasonable cost;

(iv) recommending measures to improve hotel performance; and

(v) the ability to recognize and to adapt to changing trends and guest requirements or expectations.

In addition, apart from deriving economic benefits from hotel operations as a going concern, hotel owners are also able to benefit from capital appreciation of the hotel property from the long term increase in property values. Typically, hotel properties are located strategically and would be in a good position to capitalise on such value appreciation.

10.2 Overview of the hotel business on right to use concession

For the hotel business that is operating on concessions, the description for **Section 10.1** above applies except that there is no potential to benefit from the capital appreciation, as the concession holder does not have ownership over the actual hotel properties.

10.3 Overview of the hotel development business

The Flinders Lane Property is intended to be developed into a hotel. The development involves engaging consultants to design, construct and commission a development on the property. The initial phase of the operations will be preparing the design concepts and identifying a suitable brand for the hotel property. This is followed by obtaining planning permissions from relevant authorities and commencing project management for the construction of the property. During this process, TP International will decide on the hotel management arrangements prior to the commencement of operations or opening of the hotel.

Our Company may undertake similar hotel development projects in the future and may also undertake projects by redeveloping or refurbishing existing hotels. Such projects may be wholly undertaken by our Company or through joint ventures or partnerships or by other means, subject to the feasibility of such projects.

11. RISK FACTORS IN RELATION TO THE PROPOSALS

11.1 Proposed Acquisitions

The Proposed Acquisitions would subject our Group to risks inherent in the hotel business. The following are the key risk factors relating to the hotel business as well as the Proposed Acquisitions:

(i) Risks within the tourism industry

The hotel business is subject to certain risks inherent in the tourism industry that effects inbound tourist traffic or domestic tourism activities such as:

(a) changes in the general economic and political climate;

(b) changing customer preferences;

(c) overall environmental factors such as the outbreak of diseases and weather conditions in the location, country or region;

(d) increased threats of terrorism or airline strikes, increases in supply costs or travel costs including, for example, the introduction of tourism or other similar taxes or other factors that may affect travel patterns and a decrease in travellers/tourists;

(e) changes in government priorities and legislation;

(f) changes in legal and environmental framework; and

(g) changes in business and credit conditions.

There is no assurance that there will continue to be positive prospects within the tourism industry and that any adverse effects on the tourism industry will not have an adverse impact on the financial performance of the hotel properties acquired under the Proposed Acquisitions.

(ii) Hotel business risks

There are a number of factors that could materially and adversely affect the hotel business, including but not limited to the following:

(a) increase in the cost of labour, maintenance or capital improvements or operating costs which may not be offset by increased room rates;

(b) the inability to market and promote the hotel effectively thereby leading to declining number of guests;

(c) adverse effects of a downturn in economic conditions or preference within the locality of the hotels;

(d) increased competition from other or new hotels within the market or from online accommodation-sharing platforms; or

(e) being affected by negative reviews or publicity, particularly on independent reservation website or intermediaries or social media.

There is no assurance that the hotel properties under the Proposed Acquisitions will be able to compete successfully or if successful, it can be sustained indefinitely. There can be no assurance that competitive pressures and the factors mentioned above will not materially and adversely affect the financial performance of the hotels.

(iii) No prior experience in the hotel business

We have no prior operating history in the hotel ownership and management business. As such there are substantial risks and uncertainties to which our Group may be subject to. To address these risks and uncertainties, the Proposed Collaboration was entered into to provide an opportunity for our Group to develop our own expertise and experience in hospitality management and operations by leveraging on TH (Brandco)'s established hospitality franchise. Another avenue to develop our expertise and experience would be through the expertise of TPRE.

We cannot be certain that our business strategies in hotel ownership and management will be successful or that we can successfully address the risks faced by this business. If we are not successful, our Group's business, financial condition, results of operations and prospects, could be materially and adversely affected.

Furthermore, as a result of our lack of operating history in hotel ownership and management, our Group's historical financial results are not indicative of our future financial condition, results of operations, cash flows or rate of growth. Accordingly our Group's past performance in our existing business activities should not be relied upon as an indication of our future performance in the hotel ownership and management business.

(iv) Hotel development risk

The development of Flinders Lane Property is subject to certain risks inherent to hotel development, such as oversupply of the hotel properties to be developed, changes in demand for hotel rooms, labour and material supply shortages, fluctuations in prices of building materials and costs of labour.

The launch of the Flinders Lane Property development will be dependent on external factors that may be beyond the control of our Group, such as obtaining timely approvals from the relevant regulatory authorities, possible tight supply of labour as well as the timely and satisfactory performance of contractors appointed for the development.

In addition, there can be no assurance that the completion of the development of the Flinders Lane Property development will yield positive financial results as envisaged by our Group.

(v) Expiration or termination of concession risk

Pursuant to the terms of the KLIA2 Concession Agreement, MAP has an exclusive discretion at any time, to terminate the KLIA2 Concession Agreement for reasons due to operational requirements or due to governmental directive, safety or security related issues by giving 90 days prior written notice.

Pursuant to the terms of the KLIA Aeropolis Concession Agreement, MAP has an exclusive discretion at any time, to terminate the KLIA Aeropolis Concession Agreement without giving any reason whatsoever by giving 90 days prior written notice.

In such an event, Tune Hotel KLIA2 and Tune Hotel KLIA Aeropolis' principal business and source of revenue will cease.

(vi) Risk of termination of franchise agreements

The hotel properties to be acquired rely to a significant extent on the "Tune Hotels.Com" brand.

ECMLFG will not acquire the "Tune Hotels.Com" trade name, trademark and brand image, including all branding rights and other intellectual property rights therein, but will instead license them from TH (Brandco). In the event that these franchise agreements are not renewed at their respective expiry or are terminated prematurely, we may be required to temporarily cease operations until we are able to source for alternative franchisors or develop our own brand and operation system for the hotel properties.

(vii) Risk of termination of hotel management and operations agreements

The day-to-day operations of the respective hotel properties are dependent on the management and operations agreements as set out in **Section 4.6** of this Circular. In the event that these hotel management agreements are not renewed at their respective expiry dates or are terminated prematurely, we may be required to temporarily cease operations until we are able to source for alternative service providers or develop our own operation system for the hotel properties.

(viii) Lack of control over third-party hotel operators that operate under the "Tune Hotels.Com" brand

Under the Collaboration Agreement, our Company will become the worldwide master franchisor of the "Tune Hotels.Com" brand for new business after the date of completion of the TPRE SPA, and our Company will receive all revenue derived from such new business successfully secured by our Company.

As a master franchisor, our Company may monitor its franchisee's performance. However, we will not have the direct authority to require a third-party hotel operator to be operated in a particular manner or to govern any particular aspect of the daily operations of any hotel.

The business, financial condition and results of operations of these third-party hotel operators could affect the revenue of our Company. In addition, the actions of these third-party hotel operators may adversely affect the "Tune Hotels.Com" brand, which may have a material adverse effect on our Group's future financial results.

(ix) Brand recognition

The hotel properties under the Proposed Acquisitions are 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 the hotel properties' business, operations and financial performance.

There is no assurance that there will be an increase in awareness of the "Tune Hotels.Com" brand and that any negative publicity or goodwill associated with the brand will not have an adverse effect on the hotel's business and performance.

(x) Dependence on key management and staff

The growth and success of our Group in the hotel business is highly dependent on the key management and staff. The loss of key personnel or a general shortage of experienced staff could impact the ability of our Group to provide services, which may adversely impact the future performance of our Group.

Nevertheless, after the completion of the Proposed Acquisitions, our Group will be able to leverage on the expertise of Plato through TPRE, which has experience in investing, developing and monetising overseas hotel properties. Besides that, the Proposed Collaboration allows our Group to build operational experience in the hotel industry.

(xi) Foreign exchange and translation risks

Fluctuations in the exchange rate between the AUD and RM may affect the profitability of our Group. However, our Group will match income with expenditure by using AUD as the functional currency to hedge the fluctuations in current exchange. In addition, our Group may use certain financial instruments for hedging purpose in the future.

(xii) Investment risk

Property investments are subject to varying degrees of risks. The market value of the hotel properties are affected (among other things) 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 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 Acquisitions 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 assets to be acquired will be achieved after the completion of the Proposed Acquisitions.

(xiii) Foreign investment risk

Our investment in TP International and TP Flinders are subject to foreign investment risks. The ability of our Group to repatriate the profits arising from these acquisitions will depend largely on the relevant legislation relating to the repatriation of profits prevailing at the point of repatriation. There is currently no legislative framework restricting or prohibiting foreign investment in Australian incorporated companies nor restrictions on the ability of our Group to repatriate profits from TP International and TP Flinders.

Nonetheless, in the event that the foreign investment policies or legislations in Australia are amended which may cause restrictions to foreign investments in Australia or repatriation of profits offshore, there may be a material and adverse impact on our Group.

(xiv) Completion risk

The completion of the Proposed Acquisitions is conditional upon the conditions precedent under the respective agreements being fulfilled or waived. There can be no assurances that the above will be met within the timeframe stipulated in the agreements.

The completion of the Proposed Tune Hotels Acquisitions may also be terminated due to events which are not attributable to the default of either THSB or our Company such as the acquisition or intended acquisition of Tune Hotel Penang or Tune Hotel KK, or any part thereof, under the Land Acquisition Act, 1960 or other legislation in Malaysia by the Government or the Memorandum of Transfer not being registered by the relevant land registry through no fault of either THSB or our Company.

The non-completion of the Proposed Acquisitions will result in our Company's failure to achieve the objectives and benefits of the Proposed Acquisitions, as disclosed in **Sections 2.1 and 2.2** of this Circular, including undertaking the proposed hotel development.

(xv) Compulsory acquisition

In the event of any compulsory acquisition on the properties to be acquired by our Group, 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.

11.2 Proposed Disposals

The completion of the Proposed Disposals is subject to the fulfilment of conditions precedent in the agreements in such time and manner failing which may result in the termination of the agreements. In this respect, our Board seeks to limit such risk and will take all reasonable steps to comply with the relevant conditions precedent so as to be able to complete the Proposed Disposals.

In the event that the Proposed Disposals fail to complete, the Proposed Special Dividend will not be undertaken as the source of the cash dividend is partly funded from the proceeds of the Proposed Disposals.

12. POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF AUSTRALIA

In accordance with paragraph 1 of Part F of Appendix 10B of the Listing Requirements, where any one of the percentage ratio is 25% or more that relates to a foreign acquisition, an expert's report on policies on the foreign investment, taxation and repatriation of profits of the host country is to be prepared and included in the circular. As a result, Ernst & Young has been appointed by our Company to provide such a report for Australia, which is set out in **Appendix VIII** of this Circular. A summary of the findings from Ernst & Young's report is as follows:

(i) Policies on repatriation of profits

Profits from investments in Australian companies and trusts can be repatriated without any tax restriction. The acquisitions of TP Flinders and TP International represent business investments and profits available for distribution can be repatriated, subject to tax on dividends and trust distributions of up to 30% (the 30% dividend withholding tax may be reduced to 15% pursuant to the Australia/Malaysia double tax treaty), if applicable. Repatriation of profits from Australian companies are also subject to the rules set out in Australia's principal corporate legislation, the Corporations Act 2001.

(ii) Policies on foreign investment in Australia

Generally, a foreign person (which may include a foreign individual, government, corporation, or trustee of a trust) must apply to, and receive approval from, Australia's Foreign Investment Review Board ("**FIRB**") prior to performing certain actions taken by foreign persons in relation to businesses and land that have a connection to Australia.

The general notification threshold for developed commercial land is AUD252 million, unless the proposed acquisition is considered to be 'sensitive', in which case the threshold is AUD55 million.

In regards to an acquisition of any vacant commercial land, regardless of the value of the proposed acquisition, foreign persons are generally required to notify FIRB. It is common for a no objections notification to be subject to conditions that the foreign person:

(a) commences continuous construction of the proposed development on the land within five years of the date of approval; and

(b) does not sell the land until construction is complete.

(iii) Policies on taxation in Australia

(a) TP International is an Australian resident company and will be subject to Australian taxes, including corporate tax at a rate of 30% on its non-exempt worldwide income, and withholding tax of not exceeding 15% of its unfranked dividends to Malaysian residents due to the Australia/Malaysia double tax treaty; and

(b) To the extent that our Company is entitled to the income of TP Flinders, we will be assessed in Australia on our share (i.e., 40.005%) of the net taxable income of TP Flinders at a corporate tax rate of 30%. In addition, any present entitlement to net taxable income representing interest could be subject to tax at 10%, whereas unfranked dividends and royalties could be subject to tax at 15%, pursuant to the double tax treaty between Australia and Malaysia.

For further details, please refer to **Appendix VIII** of this Circular for Ernst & Young's report.

13. EXPERT'S REPORT ON THE FAIRNESS OF THE TPRE SPA PURCHASE CONSIDERATION IN RESPECT OF TP FLINDERS AND TP INTERNATIONAL

In accordance with paragraph 4 of Part F of Appendix 10B of the Listing Requirements, where any one of the percentage ratio is 25% or more that relates to a foreign acquisition, an expert's report, prepared by industry experts, on the fairness of the total purchase consideration for the foreign securities or assets proposed to be acquired is to be prepared and included in the circular.

Under the Proposed Acquisitions, the only foreign securities proposed to be acquired is the 40.005% equity interest in TP Flinders (together with 40.005% of the rights and benefits to the total advances owing by TP Flinders) and the 50% equity interest in TP International ("**Foreign Acquisitions**").

With regard to the above, Mercury Securities has been appointed by our Company to provide such a report. In its report (as set out in **Appendix IX** of this Circular), Mercury Securities has opined that from a financial viewpoint of our Company and based on the key bases and assumptions set out in their report, the purchase consideration for the Foreign Acquisitions is fair.

14. FINANCIAL EFFECTS

The Proposed Provision of Financial Assistance and Proposed Collaboration will have no effect on the share capital, substantial shareholders' shareholdings, NA per Share, gearing or earnings and EPS of our Group.

14.1 Share capital

The Proposed Disposals and the Proposed Special Dividend will not have any effect on the issued share capital of our Company.

The proforma effects of the Proposed Acquisitions (including the Proposed Diversification) on the share capital of our Company as at the LPD are as follows:

	No. of Shares	Issued share capital RM
Ordinary share capital as at the LPD	286,592,491	34,391,099
Transfer from capital redemption reserve to issued share capital[(1)]	-	3,554,762
To be issued pursuant to Proposed Acquisitions from TPRE	160,205,555	57,674,000
To be issued pursuant to Proposed Tune Hotels Acquisitions	33,127,777	11,926,000
Enlarged share capital	**479,925,823**	**107,545,861**

Note:

(1) Being the transfer of capital redemption reserve to contributed capital in accordance with the Companies Act which came into effect on 31 January 2017.

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14.2 Substantial shareholders' shareholdings

The Proposed Disposals and the Proposed Special Dividend will not have any effect on the shareholdings of the substantial shareholders of our Company.

The proforma effects of the Proposed Acquisitions (including the Proposed Diversification) on the shareholdings of the substantial shareholders of our Company as at the LPD are set out below:

	As at the LPD				After Proposed Acquisitions from TPRE				After Proposed Tune Hotels Acquisitions			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of Shares ('000)**	**%[1]**	**No. of Shares ('000)**	**%[1]**	**No. of Shares ('000)**	**%[2]**	**No. of Shares ('000)**	**%[2]**	**No. of Shares ('000)**	**%[3]**	**No. of Shares ('000)**	**%[3]**
Lim Kian Onn	1,775	0.6	130,387[4]	45.5	23,555	5.3	130,387[4]	29.2	28,058	5.8	130,387[4]	27.2
Dato' Seri Kalimullah	39,357	13.7	-	-	61,047	13.7	-	-	65,532	13.7	-	-
Truesource Pte Ltd	56,695	19.8	-	-	56,695	12.7	-	-	56,695	11.8	-	-
Plato[5]	-	-	56,695	19.8	-	-	56,695	12.7	-	-	56,695	11.8
Garynma MY Capital Limited	72,255	25.2	-	-	72,255	16.2	-	-	72,255	15.1	-	-
Garynma MY Holdings Limited[6]	-	-	72,255	25.2	-	-	72,255	16.2	-	-	72,255	15.1
Julius Baer Trust Company (Singapore) Limited[7]	-	-	72,255	25.2	-	-	72,255	16.2	-	-	72,255	15.1
Tune Group Sdn Bhd	-	-	-	-	91,276	20.4	-	-	110,150	23.0	-	-
Tan Sri Dr Anthony Francis Fernandes[8]	-	-	-	-	-	-	91,276	20.4	-	-	110,150	23.0
Datuk Kamarudin bin Meranun[8]	-	-	-	-	-	-	91,276	20.4	-	-	110,150	23.0

Notes:

(1) *Based on the share capital of 286,592,491 Shares as at the LPD.*

(2) *Based on the enlarged share capital of 446,798,046 Shares after Proposed Acquisitions from TPRE.*

(3) *Based on the enlarged share capital of 479,925,823 Shares after Proposed Tune Hotels Acquisitions.*

(4) *Deemed interested by virtue of his interest in Plato and his interest via Garynma Trust which holds all the shares in Garynma MY Holdings Limited pursuant to Section 8(4) of the Companies Act and his spouse's shareholding pursuant to Section 59(11)(c) of the Companies Act.*

(5) *Deemed interested by virtue of its interest in Truesource Pte Ltd pursuant to Section 8(4) of the Companies Act.*

(6) *Deemed interested by virtue of its interest in Garynma MY Capital Limited pursuant to Section 8(4) of the Companies Act.*

(7) *Deemed interested 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 Companies Act.*

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

14.3 NA, NA per Share and gearing

For illustrative purposes, the proforma effects of the Proposed Disposals, Proposed Special Dividend, and Proposed Acquisitions (including the Proposed Diversification) on the NA, NA per Share and gearing of our Company, based on the latest audited consolidated statement of financial position of our Company as at 31 December 2016 are set out below:

		(I)	(II)	(III)	(IV)	(V)
	Audited as at 31 December 2016	**Subsequent event[(2)]**	**After (I) and the Proposed Disposals**	**After (II) and the Proposed Special Dividend[(3)]**	**After (III) and the Proposed Acquisitions from TPRE[(1)]**	**After (IV) and the Proposed Tune Hotels Acquisitions[(1)]**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Share capital	34,391	37,946	37,946	37,946	95,620	107,546
Capital redemption reserve	3,555	-	-	-	-	-
Other reserves	2,198	2,198	2,198	2,197[(4)]	2,197	2,197
Retained earnings	104,165	104,165	107,491	63,031	63,031	61,236[(5)]
Shareholders' funds / NA	144,309	144,309	147,635	103,174	160,848	170,979
No. of ordinary shares in issue ('000)	286,592	286,592	286,592	286,592	446,798	479,926
NA per share (RM)	0.50	0.50	0.52	0.36	0.36	0.36
Interest bearing borrowings (RM'000)	-	-	-	-	-	19,000[(6)]
Gearing (times)[(7)]	-	-	-	-	-	0.11

Notes:

(1) The proforma effects of the Proposed Acquisitions have been presented assuming the Proposed Acquisitions have been completed as at 31 December 2016.

(2) Including the transfer of capital redemption reserve to contributed capital in accordance with the Companies Act which came into effect on 31 January 2017.

*(3) The Proposed Disposals and the Proposed Special Dividend shall complete simultaneously as disclosed in **Sections 9.1(i) and 9.2(i)** of this Circular.*

*(4) Including the partial liquidation of our Group's investments in securities available-for-sale ("**AFS**") for an estimated liquidation proceed of RM14.2 million and resulting in a realisation of AFS revaluation profit of approximately RM1,000.*

(5) After deducting the estimated costs of the Proposed Acquisitions, Proposed Special Dividend and Proposed Disposals of RM1.8 million.

(6) For illustrative purposes, including bank borrowings of RM19.0 million to finance the Proposed Tune Hotels Acquisitions.

(7) Computed based on total borrowings divided by total equity of ECMLFG.

14.4 Earnings and EPS

Save for the associated expenses of approximately RM1.8 million, the Proposed Acquisitions (including the Proposed Diversification) are not expected to materially affect our earnings and EPS for the FYE 31 December 2017 as the Proposed Acquisitions are only expected to be completed in the first quarter of 2018. The Proposed Disposals are expected to result in an aggregated gain of approximately RM3.3 million.

The EPS of our Company is expected to reduce proportionately as a result of the issuance and allotment of the Consideration Shares pursuant to the Proposed Acquisitions. For illustrative purposes only, the dilutive effects on the EPS attributable to the increase in the number of Shares pursuant to the Proposed Acquisitions, as the case may be, are as follows:

	Audited 11-month FPE 31 December 2016	After the Proposed Disposals	After the Proposed Special Dividend	After the Proposed Acquisitions from TPRE	After the Proposed Tune Hotels Acquisitions
Profit after tax (RM'000)	6,026	9,353	9,352	9,352	9,352
Shares ('000)	286,592	286,592	286,592	446,798	479,926
EPS (in sen)	2.1	3.3	3.3	2.1	1.9

The EPS of our Company in the future may be affected by the level of returns generated by the Target Entities, as well as the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis. Barring any unforeseen circumstances, the Proposed Acquisitions are expected to contribute positively to the future earnings of our Company.

14.5 Convertible securities

As at the LPD, we do not have any outstanding convertible securities.

15. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained:

(i) your approval at the forthcoming EGM to be convened;

(ii) in relation to the Proposed Acquisitions, Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities, which was obtained on 20 November 2017; and

(iii) any other relevant authorities or parties, if required.

The approval of Bursa Securities, which was obtained via its letter dated 20 November 2017, is subject to the following conditions:

Conditions Imposed	Status of Compliance
• ECMLFG and CIMB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisitions;	To be complied
• ECMLFG and CIMB to inform Bursa Securities upon the completion of the Proposed Acquisitions;	To be complied
• ECMLFG and CIMB to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the forthcoming general meeting for the Proposed Acquisitions;	To be complied
• ECMLFG and CIMB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisitions is completed;	To be complied
• If applicable, payment of additional listing fee based on the final issue price together with a copy of the details of the computation of the amount of listing fees payable; and	Complied
• To incorporate Bursa Securities' comments in respect of the draft circular to shareholders for the Proposals.	Complied

16. CONDITIONALITY OF THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND

The Proposed Semi-D Disposal and Proposed Bangunan ECM Libra Disposal are inter-conditional and they are also conditional upon the Proposed Acquisitions from TPRE being unconditional.

The Proposed Special Dividend is conditional upon the Proposed Disposals becoming unconditional.

The Proposed Acquisitions are conditional upon the Proposed Disposals and the Proposed Special Dividend. In the event that the Proposed Disposals do not become unconditional, the Proposed Special Dividend and the Proposed Acquisitions will not be undertaken.

The Proposed Tune Hotels Acquisitions are conditional upon the Proposed Acquisitions from TPRE but not vice versa. In the event that the Proposed Acquisitions from TPRE is not completed, the Proposed Tune Hotels Acquisitions will not be undertaken.

The Proposed Provision of Financial Assistance is an integral part of and a consequence of acquiring the 50% interest in TPSB under the Proposed Acquisitions from TPRE.

The Proposed Collaboration is conditional upon the Proposed Acquisitions from TPRE.

The Proposed Diversification is a consequence of the Proposed Acquisitions, and as such the Proposed Diversification and the Proposed Acquisitions from TPRE are inter-conditional. In order for the Proposed Diversification to take effect, at least the Proposed Acquisitions from TPRE must be completed.

17. HISTORICAL SHARE PRICES

The monthly high and low prices of Shares traded on the Main Market of Bursa Securities from November 2016 up to October 2017 are as follows:

	High	Low
	RM	RM
2016		
November	0.40	0.37
December	0.38	0.32
2017		
January	0.36	0.33
February	0.39	0.34
March	0.41	0.36
April	0.41	0.37
May	0.71	0.38
June	0.57	0.52
July	0.57	0.52
August	0.56	0.51
September	0.55	0.52
October	0.54	0.50
Last transacted market price of the Shares on 3 May 2017, being the last trading day prior to the date of the announcement of the Proposals and the Proposed Special Dividend on 4 May 2017		0.40
Last transacted market price of the Shares as at the LPD		0.49

(Source: Bloomberg)

18. OTHER CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and the Proposed Special Dividend, there are no other corporate proposals which have been announced but have yet to be completed as at the LPD.

19. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Save as disclosed below and save for their respective entitlements as shareholders of our Company under the Proposed Special Dividend, which are also available to all other entitled shareholders, none of the Directors and/or major shareholders of our Company and/or persons connected with them has any interest, direct or indirect, in the Proposals and the Proposed Special Dividend.

19.1 Proposed Acquisitions from TPRE, Proposed Provision of Financial Assistance and Proposed Collaboration

Lim Kian Onn and Dato' Seri Kalimullah are shareholders and directors of THCL, who will be receiving the TPRE Consideration Shares under the Proposed Acquisitions from TPRE through the Proposed TPRE Plan of Arrangement. In addition, Lim Kian Onn is the controlling shareholder of Plato, which has a 50% interest in TPRE.

Accordingly, Lim Kian Onn and Dato' Seri Kalimullah are deemed interested in the Proposed Acquisitions from TPRE, including the Proposed Provision of Financial Assistance and the Proposed Collaboration.

Gareth Lim Tze Xiang is a director of TPRE, TPSB and TP International. He is also deemed interested in the Proposed Acquisitions from TPRE, including the Proposed Provision of Financial Assistance and the Proposed Collaboration by virtue of him being the son of Lim Kian Onn.

Chin Jon Wei was deemed interested in the Proposed Acquisitions from TPRE, including the Proposed Provision of Financial Assistance and Proposed Collaboration, by virtue of him being the alternate director of Gareth Lim Tze Xiang at the time the TPRE SPA was entered into. On 25 May 2017, Chin Jon Wei resigned as an alternate director and is no longer involved with our Group. However, he continues to be deemed interested by virtue of paragraph 10.02(c) of the Listing Requirements.

Truesource Pte Ltd, one of our major shareholders, is deemed interested in the Proposed Acquisitions from TPRE, including the Proposed Provision of Financial Assistance and the Proposed Collaboration by virtue of it being a wholly-owned subsidiary of Plato, which is ultimately controlled by Lim Kian Onn.

Garynma MY Capital Limited, one of our major shareholders, is deemed interested in the Proposed Acquisitions from TPRE, including the Proposed Provision of Financial Assistance and the Proposed Collaboration by virtue of Lim Kian Onn having a deemed interest in it.

19.2 Proposed Tune Hotels Acquisitions

Lim Kian Onn and Dato' Seri Kalimullah are shareholders and directors of THCL, who will be receiving the Tune Hotel Penang Consideration Shares under the Proposed Tune Hotels Acquisitions through the Proposed Tune Hotel Penang Plan of Arrangement.

Accordingly, Lim Kian Onn and Dato' Seri Kalimullah are deemed interested in the Proposed Tune Hotels Acquisitions.

Gareth Lim Tze Xiang is deemed interested in the Proposed Tune Hotels Acquisitions by virtue of him being the son of Lim Kian Onn.

Chin Jon Wei was deemed interested in the Proposed Tune Hotels Acquisitions, by virtue of him being the alternate director of Gareth Lim Tze Xiang at the time the Tune Hotel Penang SPA, Tune Hotel KK SPA and Tune Hotel KLIA Aeropolis SPA were entered into. On 25 May 2017, Chin Jon Wei resigned as the alternate director and is no longer involved with our Group. However, he continues to be deemed an interested director by virtue of paragraph 10.02(c) of the Listing Requirements.

Truesource Pte Ltd, one of our major shareholders, is deemed interested in the Proposed Tune Hotels Acquisitions by virtue of it being a wholly-owned subsidiary of Plato, which is ultimately controlled by Lim Kian Onn.

Garynma MY Capital Limited, one of our major shareholders, is deemed interested in the Proposed Tune Hotels Acquisitions by virtue of Lim Kian Onn having a deemed interest in it.

19.3 Proposed Disposals

Lim Kian Onn is a director of Noblemen and he has 60% effective interest in Noblemen.

Dato' Seri Kalimullah is a director of Noblemen and he has 40% effective interest in Noblemen.

Accordingly, Lim Kian Onn and Dato' Seri Kalimullah are deemed interested in the Proposed Disposals.

Gareth Lim Tze Xiang is deemed interested in the Proposed Disposals by virtue of him being the son of Lim Kian Onn.

Chin Jon Wei was deemed interested in the Proposed Disposals, by virtue of him being the alternate director of Gareth Lim Tze Xiang at the time the Semi-D Disposal SPA and Bangunan ECM Libra Disposal SPA were entered into. On 25 May 2017, Chin Jon Wei resigned as the alternate director and is no longer involved with our Group. However, he continues to be deemed an interested director by virtue of paragraph 10.02(c) of the Listing Requirements.

Truesource Pte Ltd, one of our major shareholder, is deemed interested in the Proposed Disposals by virtue of it being a wholly-owned subsidiary of Plato, which is ultimately controlled by Lim Kian Onn.

Garynma MY Capital Limited, one of our major shareholder, is deemed interested in the Proposed Disposals by virtue of Lim Kian Onn having a deemed interest in it.

Collectively, Lim Kian Onn, Dato' Seri Kalimullah, Gareth Lim Tze Xiang and Chin Jon Wei are referred to as the "**Interested Directors**", and the Interested Directors, Truesource Pte Ltd and Garynma MY Capital Limited are referred to as the "**Interested Parties**".

As the Proposed Diversification is a consequence of the Proposed Acquisitions, the Interested Parties are also deemed interested in the Proposed Diversification.

The Interested Parties have abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposals.

The Interested Parties will abstain from voting in respect of their direct and/or indirect shareholdings on the relevant resolutions pertaining to the Proposals at our Company's 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 on the relevant resolutions pertaining to the Proposals at our Company's forthcoming EGM.

20. TRANSACTIONS WITH RELATED PARTIES IN THE PAST 12 MONTHS

Save for the Proposals and the recurrent related party transactions which are not required to be disclosed pursuant to paragraph 10.09(1)(a) of the Listing Requirements, 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.

21. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board (save for the Interested Directors), having considered all aspects of the Proposals and the Proposed Special Dividend (including but not limited to the rationale and prospects discussed in **Sections 2 and 7** of this Circular as well as the opinion of the Independent Adviser set out in **Part B** of this Circular) is of the opinion that the Proposals are:

(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 the minority shareholders.

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

22. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company having considered, amongst others, the opinion of the Independent Adviser and all aspects of the Proposals and Proposed Special Dividend, including the basis and justification for the consideration of the Proposals, the rationale for the Proposals and the salient terms of the agreements, is of the opinion that the Proposals are:

(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 the minority shareholders.

23. INDEPENDENT ADVICE

The Proposals are deemed to be related party transactions under paragraph 10.08 of the Listing Requirements. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise on the Proposals in accordance with the Listing Requirements. The role of the Independent Adviser is:

(i) to comment as to whether the Proposals are:

(a) fair and reasonable in so far as the non-interested shareholders of our Company are concerned; and

(b) detrimental to 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 such opinion;

(ii) to advise our non-interested shareholders whether they should vote in favour of the Proposals; and

(iii) to 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 independent advice letter from Mercury Securities is set out in **Part B** of this Circular. You should read the contents of this Circular (including the independent advice letter) carefully before voting on the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM.

24. TENTATIVE TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals and the Proposed Special Dividend are expected to be completed by end of the 1st quarter of 2018.

The tentative timeline for the Proposals and the Proposed Special Dividend is as follows:

Tentative timeline	Event
2017	
December	• Our forthcoming EGM for the Proposals • Proposals become unconditional
2018	
February	• Simultaneous completion of the Proposed Disposals and the Proposed Special Dividend • Completion of the Proposed Acquisitions from TPRE • Listing of the TPRE Consideration Shares
March	• Completion of the Proposed Tune Hotels Acquisitions • Listing of the Tune Hotel Penang Consideration Shares

25. EGM

An EGM, the notice of which is enclosed in this Circular, will be held at Ground Floor, East Wing, Bangunan ECM Libra, 8 Jalan Damansara Endah, Damansara Heights, 50490 Kuala Lumpur on Tuesday, 12 December 2017 at 2.30 p.m., or at any adjournment thereof, for the purpose of considering and if thought fit, to pass with or without modifications, the resolutions to give effect to the Proposals.

You are entitled to attend and vote at our EGM or appoint a proxy to vote for and on your behalf. In such event, you are requested to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon, to reach 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 fixed for holding the EGM or at any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

26. FURTHER INFORMATION

You are advised 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

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PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSALS

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this Independent Advice Letter. All references to "we", "us" or "our" in this Independent Advice Letter are references to Mercury Securities, being the Independent Adviser for the Proposals.

This Executive Summary summarises this Independent Advice Letter. You are advised to read and understand this Independent Advice Letter in its entirety, together with the letter to shareholders in relation to the Proposals and the Proposed Special Dividend in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposals.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 4 May 2017, CIMB, on behalf of the Board, announced that ECMLFG had on even date entered into various agreements and intends to undertake the Proposals and the Proposed Special Dividend, the details of which are set out in the following sections in Part A of the Circular:-

Proposals and Proposed Special Dividend	**Section in Part A of the Circular**
(i) Proposed Acquisitions comprising:-	
(a) Proposed Acquisitions from TPRE	3
(b) Proposed Tune Hotels Acquisitions	4
(ii) Proposed Provision of Financial Assistance	3.1
(iii) Proposed Collaboration	6
(iv) Proposed Special Dividend	8
(v) Proposed Disposals comprising:-	9
(a) Proposed Bangunan ECM Libra Disposal	9.1
(b) Proposed Semi-D Disposal	9.2
(vi) Proposed Diversification	10

On 21 June 2017, CIMB, on behalf of the Board, announced that ECMLFG and TPRE had on even date entered into the TPRE SPA Supplemental Letter for ECMLFG to grant consent to the Subscription and Advances and to amend certain provisions of the TPRE SPA, to facilitate the Subscription and Advances and the removal of the BNM's approval as one of the conditions precedent to the TPRE SPA as the same is not required for the Proposed Acquisitions from TPRE.

On 30 August 2017, ECMLFG had entered into the TPRE SPA Second Supplemental Letter and the Tune Hotel Penang SPA Supplemental Letter to reflect the changes in THCL's shareholders' shareholding percentage.

On 26 October 2017, CIMB, on behalf of the Board, announced that ECMLFG had on the same date entered into the TPRE SPA Third Supplemental Letter, the Tune Hotel Penang SPA Second Supplemental Letter, the Tune Hotel KK SPA Supplemental Letter, the Tune Hotel KLIA Aeropolis SPA Supplemental Letter, the Bangunan ECM Libra Disposal SPA Supplemental Letter and the Semi-D Disposal SPA Supplemental Letter (collectively the "**Supplemental Letters**"), to amongst others, extend the date to fulfil the conditions precedent of the Proposed Acquisitions and the Proposed Disposals by 6 months from 5 November 2017, or such longer period as the parties may mutually agree in writing.

In addition to the extension of time, the Supplemental Letters were also entered into:-

(a) (In respect of only the Tune Hotel Penang SPA and the Tune Hotel KK SPA) to provide for additional procedural provisions to facilitate the funding via borrowings to be obtained by ECMLFG for the cash portion to acquire the hotel properties; and

(b) (In respect of only the Bangunan ECM Libra Disposal SPA and the Semi-D Disposal SPA) to amend the agreements' respective payment terms in the interest to complete the Proposed Special Dividend in a more timely manner, further details of which are set out in Sections 9.1(i) and 9.2(i), Part A of the Circular. In addition to the extension of time mentioned above, the TPRE SPA was also amended as a consequence of these amendments.

In view of the interests of certain Directors and major shareholders of ECMLFG in the Proposals *(see Section 19, Part A of the Circular for the interests of the Interested Parties and their course of actions in relation to the Proposals)* and as set out in Section 23, Part A of the Circular, the Proposals are deemed to be related party transactions under Paragraph 10.08 of the Listing Requirements. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise on the Proposals.

The purpose of this Independent Advice Letter is to provide the non-interested shareholders of ECMLFG with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of ECMLFG together with our recommendation on whether the non-interested shareholders of ECMLFG should vote in favour of the Proposals.

In the evaluation of the Proposals, Mercury Securities has also taken into consideration various aspects of the Proposed Special Dividend *(including but not limited to the rationale, benefits and effects of the Proposed Special Dividend)*. For the avoidance of doubt, the Proposed Special Dividend does not form part of the Proposals for which shareholders' approval is sought.

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2. EVALUATION OF THE PROPOSALS

Consideration factors	Section	Our evaluation
(i) Rationale for and benefits of the Proposals and the Proposed Special Dividend	5.1	The rationale for and benefits of the Proposals are fair and reasonable whereby:- (i) The Proposed Acquisitions *(including the consequential Proposed Provision of Financial Assistance and the Proposed Collaboration)* and the Proposed Diversification provide a strategic opportunity for ECMLFG to diversify its revenue and earnings stream into the hotel business that has potential for growth while leveraging on the (i) existing hospitality management and operations expertise and established hospitality franchise of the "Tune Hotels.Com" brand, (ii) hotel properties at various strategic / prime locations and (iii) positive outlook of the tourism and hospitality industry in both Malaysia and Australia as well as the promising prospects of the hotel properties; (ii) The Proposed Collaboration provides the ECMLFG Group with a platform to develop its experience in hospitality management and operations with the benefit of an established franchise; (iii) The Proposed Special Dividend, in addition to rewarding the shareholders of ECMLFG for their investment in the Company, will result in the ECMLFG's consolidated NA to be adjusted to approximately RM103.2 million or RM0.36 per Share, which is equivalent to the Issue Price of the Consideration Shares; and (iv) The Proposed Disposals involve the disposal of non-core assets by ECMLFG, of which the proceeds shall form part of the Proposed Special Dividend.

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Consideration factors	Section	Our evaluation
(ii) Basis and justification of the purchase consideration, disposal consideration and Issue Price	5.2	We are of the view that the purchase consideration for the Proposed Acquisitions, the disposal consideration for the Proposed Disposals and the Issue Price are fair and reasonable based on our evaluation in Section 5.2 of this Independent Advice Letter, of which the findings are summarised below:-

(i) Evaluation of the purchase consideration

No.	Target entities / assets	Valuation methods in deriving the fair value / market value	ECMLFG's entitlements (RM'million)	Purchase consideration (RM'million)	Discount (RM'million)	Discount (%)
(1)	TPSB *(which has the rights to operate and maintain the Tune Hotel KLIA2)*	DCF	25.43 - 27.61	24.01	4.28 - 6.46	6.91 - 10.07
(2)	TP Flinders and TP International *(TP International is the registered owner of the Flinders Lane Property as trustee of TP Flinders, which is the beneficial owner of the Flinders Lane Property)*	Revalued Net Asset Valuation *(The Flinders Lane Property was valued based on direct comparison method by m3property)*	36.61	33.66		
(3)	YKSB *(the owner of the Glasshouse Café restaurant business at the Tune Hotel KLIA2 and provider of food-catering services at the AirAsia Lounge located in KLIA2)*	NA	(0.09)	Negligible (RM1)		
(4)	Tune Hotel Penang	Profit method *(by DCF)* by Henry Butcher Penang	21.30	21.00	0.30	1.41
(5)	Tune Hotel KK	Profit method *(by DCF)* by Henry Butcher Sabah	9.70	9.00	0.70	7.22
(6)	Rights to operate and maintain the Tune Hotel KLIA Aeropolis	DCF	1.68 - 1.77	0.93	0.75 - 0.84	44.64 - 47.46
Total			**94.63 - 96.90**	**88.60**	**6.03 - 8.30**	**6.37 - 8.57**

(ii) Evaluation of the disposal consideration

No.	Assets	Valuation methods in deriving the fair value / market value	ECMLFG's entitlements (RM'million)	Disposal consideration	Premium (RM'million)	Premium (%)
(1)	East Wing and Centre Wing of Bangunan ECM Libra	Comparison approach by Henry Butcher	23.00	24.00	1.00	4.35
(2)	Semi-D Property	Comparison approach by Henry Butcher	4.00	4.00	-	-
Total			**27.00**	**28.00**	**1.00**	**3.70**

Consideration factors	Section	Our evaluation
		(iii) Evaluation of the Issue Price The Issue Price of RM0.36 is fair and reasonable based on the following factors:- (a) the Issue Price was determined based on the targeted consolidated NA of ECMLFG of approximately RM103.2 million or RM0.36 per Share after the Proposed Disposals and the Proposed Special Dividend but before the Proposed Acquisitions; (b) the Issue Price is higher than the adjusted daily volume weighted average market prices ("**VWAMP**") of the Shares(1) for all market days prior to the announcement of the Proposals, representing approximately 90% of the total market days over the past 5 years up to the LPD; and (c) the Issue Price represents a premium of more than 50.00% over the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP(1) of the Shares up to 3 May 2017, being the last trading day prior to the date of the announcement of the Proposals. *Note:-* *(1) Extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period and after deducting an illustrative special cash dividend of RM0.155 per Share under the Proposed Special Dividend, based on the audited NA per Share of RM0.50 as at 31 December 2016 and after taking into consideration the expected gain on disposal of RM3.3 million from the Proposed Disposals.*
(iii) Salient terms of the sale and purchase agreements for the Proposed Acquisitions, shareholders agreements, unitholders deed, Collaboration Agreement and sale and purchase agreements for the Proposed Disposals	5.3	The salient terms of the sale and purchase agreements for the Proposed Acquisitions, shareholders agreements, unitholders deed, Collaboration Agreement and sale and purchase agreements for the Proposed Disposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of ECMLFG. Further, we have reviewed the salient terms of the franchise, hotel management and service agreements *(as set out in Appendix II of the Circular)* in relation to the Proposed Acquisitions and nothing adverse has come to our attention that they are detrimental to the interests of the non-interested shareholders of ECMLFG.

Consideration factors	Section	Our evaluation
(iv) Effects of the Proposals and the Proposed Special Dividend on the ECMLFG Group	5.4	The pro forma effects of the Proposals and the Proposed Special Dividend *(see Section 14, Part A of the Circular as well as Section 5.4 of this Independent Advice Letter for further details)* are as follows:- (i) an increase in the issued share capital of ECMLFG due to the issuance of the Consideration Shares; (ii) the emergence of Tan Sri Dr Anthony Francis Fernandes and Datuk Kamarudin bin Meranun *(via their interest in Tune Group Sdn Bhd)* as new substantial shareholders of the Company with an equity interest of approximately 23.0%. Nonetheless, Lim Kian Onn will remain as the controlling shareholder of ECMLFG with a total interest of 33.0% upon completion of the Proposed Acquisitions *(diluted from 46.1% as at the LPD)*; (iii) the Proposed Disposals are expected to result in an aggregated gain on disposal of approximately RM3.3 million while the Proposed Acquisitions *(including the Proposed Diversification)* are expected to contribute positively to the future earnings of ECMLFG; (iv) after the completion of the Proposed Disposals and the Proposed Special Dividend, the NA of ECMLFG will be adjusted to approximately RM103.2 million or RM0.36 per Share *(which is equivalent to the Issue Price of the Consideration Shares)* and thereafter, the NA of ECMLFG will remain at RM0.36 per Share upon completion of the Proposed Acquisitions as the Issue Price will be equivalent to the adjusted NA of ECMLFG and hence, there will not be any dilutive impact on NA per Share resulting from issuance of the Consideration Shares; and (v) an increase of ECMLFG's total borrowings from nil to RM19.0 million which will be used to finance the cash payment for the Proposed Acquisitions, translating to a gearing level of 0.11 times.
(v) Prospects of the ECMLFG Group in the tourism and hospitality industry	5.5	The prospects of the ECMLFG Group in the tourism and hospitality industry appear to be positive, after taking into consideration amongst others, the established hospitality franchise of the "Tune Hotels.Com" brand, strategic / prime locations of the hotel properties to be acquired as well as the positive outlook of the tourism and hospitality industry in both Malaysia and Australia against the backdrop of the respective countries' reputation as popular tourist destinations, supported by the respective governments' concerted efforts to improve and encourage tourism.

Consideration factors	Section	Our evaluation
(vi) Risk factors in relation to the Proposals	5.6	The risk factors pertaining to the Proposals are highlighted in Section 11, Part A of the Circular. Pursuant to the Proposed Acquisitions and the Proposed Diversification, the ECMLFG Group will diversify its existing principal activities in the financial services sector to include the business of hotel ownership and management. Such diversification will expose ECMLFG to business risks inherent to the tourism and hospitality industry. Further, we noted that MAP has an exclusive discretion at any time, to terminate the KLIA2 Concession Agreement *(for reasons due to operational requirements or due to governmental directive, safety or security related issues)* and the KLIA Aeropolis Concession Agreement *(without any reason)* by giving 90 days' prior written notice. In such an event, the Tune Hotel KLIA2's and the Tune Hotel KLIA Aeropolis' principal business and source of revenue will cease. Although there are mitigating factors for most of the risks associated with the Proposals, no assurance can be given that such risk factors will not crystallise and give rise to material and adverse impact on the financial performance, position or prospects of the ECMLFG Group. Nonetheless, it is worth noting that a substantial portion of the purchase consideration for the Proposed Acquisitions *(i.e. close to 80%)* will be satisfied via the issuance of Consideration Shares, indicating the intention of the vendors to continue participation in the future growth of ECMLFG's hotel business i.e. it is not the sole purpose of the vendors to monetise or exit their investments in the hotel properties. Hence, the ECMLFG Group is able to leverage on the Tune Hotels' existing hospitality management and operations expertise, and at the same time, manage any operational risks to the extent possible.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposals. Based on our evaluation in Section 5 of this Independent Advice Letter, we are of the opinion that, on the basis of the information available to us, the Proposals are **fair and reasonable** and are **not detrimental** to the non-interested shareholders of ECMLFG.

Accordingly, we recommend that you **vote in favour** of the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

Mercury Securities Sdn. Bhd. (113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Headquarters:
Ground, 1st, 2nd, 3rd Floor
Wisma Umno
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

27 November 2017

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 IN RELATION TO THE PROPOSALS

This Independent Advice Letter is prepared for inclusion in the Circular to the shareholders of ECMLFG. All definitions used in this Independent Advice Letter shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this Independent Advice Letter. All references to "we", "us" or "our" in this Independent Advice Letter are references to Mercury Securities, being the Independent Adviser for the Proposals.

1. INTRODUCTION

On 4 May 2017, CIMB, on behalf of the Board, announced that ECMLFG had on even date entered into various agreements and intends to undertake the Proposals and the Proposed Special Dividend, the details of which are set out in the following sections in Part A of the Circular:-

Proposals and Proposed Special Dividend	Section in Part A of the Circular
(i) Proposed Acquisitions comprising:-	
(a) Proposed Acquisitions from TPRE	3
(b) Proposed Tune Hotels Acquisitions	4
(ii) Proposed Provision of Financial Assistance	3.1
(iii) Proposed Collaboration	6
(iv) Proposed Special Dividend	8
(v) Proposed Disposals comprising:-	9
(a) Proposed Bangunan ECM Libra Disposal	9.1
(b) Proposed Semi-D Disposal	9.2
(vi) Proposed Diversification	10

On 21 June 2017, CIMB, on behalf of the Board, announced that ECMLFG and TPRE had on even date entered into the TPRE SPA Supplemental Letter for ECMLFG to grant consent to the Subscription and Advances and to amend certain provisions of the TPRE SPA, to facilitate the Subscription and Advances and the removal of the BNM's approval as one of the conditions precedent to the TPRE SPA as the same is not required for the Proposed Acquisitions from TPRE.

On 30 August 2017, ECMLFG had entered into the TPRE SPA Second Supplemental Letter and the Tune Hotel Penang SPA Supplemental Letter to reflect the changes in THCL's shareholders' shareholding percentage.

On 26 October 2017, CIMB, on behalf of the Board, announced that ECMLFG had on the same date entered into the TPRE SPA Third Supplemental Letter, the Tune Hotel Penang SPA Second Supplemental Letter, the Tune Hotel KK SPA Supplemental Letter, the Tune Hotel KLIA Aeropolis SPA Supplemental Letter, the Bangunan ECM Libra Disposal SPA Supplemental Letter and the Semi-D Disposal SPA Supplemental Letter (collectively the "**Supplemental Letters**"), to amongst others, extend the date to fulfil the conditions precedent of the Proposed Acquisitions and the Proposed Disposals by 6 months from 5 November 2017, or such longer period as the parties may mutually agree in writing.

In addition to the extension of time, the Supplemental Letters were also entered into:-

(a) (In respect of only the Tune Hotel Penang SPA and the Tune Hotel KK SPA) to provide for additional procedural provisions to facilitate the funding via borrowings to be obtained by ECMLFG for the cash portion to acquire the hotel properties; and

(b) (In respect of only the Bangunan ECM Libra Disposal SPA and the Semi-D Disposal SPA) to amend the agreements' respective payment terms in the interest to complete the Proposed Special Dividend in a more timely manner, further details of which are set out in Sections 9.1(i) and 9.2(i), Part A of the Circular. In addition to the extension of time mentioned above, the TPRE SPA was also amended as a consequence of these amendments.

In view of the interests of certain Directors and major shareholders of ECMLFG in the Proposals *(see Section 19, Part A of the Circular for the interests of the Interested Parties and their course of actions in relation to the Proposals)* and as set out in Section 23, Part A of the Circular, the Proposals are deemed to be related party transactions under Paragraph 10.08 of the Listing Requirements. Accordingly, Mercury Securities has been appointed as the Independent Adviser to advise on the Proposals.

The purpose of this Independent Advice Letter is to provide the non-interested shareholders of ECMLFG with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of ECMLFG together with our recommendation on whether the non-interested shareholders of ECMLFG should vote in favour of the Proposals.

In the evaluation of the Proposals, Mercury Securities has also taken into consideration various aspects of the Proposed Special Dividend *(including but not limited to the rationale, benefits and effects of the Proposed Special Dividend)*. For the avoidance of doubt, the Proposed Special Dividend does not form part of the Proposals for which shareholders' approval is sought.

Nonetheless, the non-interested shareholders of ECMLFG should rely on their own evaluation of the merits of the Proposals before making a decision on the course of action to be taken at the forthcoming EGM of the Company.

This Independent Advice Letter is prepared solely for the use of the non-interested shareholders of ECMLFG to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS INDEPENDENT ADVICE LETTER AND THE LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSALS AND THE PROPOSED SPECIAL DIVIDEND AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

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

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals and the Proposed Special Dividend. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of ECMLFG together with our recommendation on whether the non-interested shareholders of ECMLFG should vote in favour of the Proposals based on information and documents made available to us as set out below:-

(i) information contained in Part A of the Circular and the accompanying appendices;

(ii) the various agreements *(including all the supplemental letters to the agreements)* in relation to the Proposals;

(iii) the audited financial statements of TPSB, TP Flinders, TP International and YKSB for the financial period(s) from their respective date of incorporation until 30 September 2016;

(iv) the annual reports and audited consolidated financial statements of ECMLFG for the FYE 31 January 2011 to the FYE 31 January 2016 as well as for the 11-month FPE 31 December 2016;

(v) the unaudited consolidated financial statements of ECMLFG for the 6-month FPE 30 June 2017;

(vi) the valuation reports and valuation certificates *(including any update and/or revision thereto)* by m3property, Henry Butcher Penang, Henry Butcher Sabah and Henry Butcher on the market value of the Flinders Lane Property, the Tune Hotel Penang, the Tune Hotel KK, the East Wing and Centre Wing of Bangunan ECM Libra and the Semi-D Property;

(vii) other relevant information, documents, confirmations and representations furnished to us by the board of directors, management and/or representatives of ECMLFG and other parties to the various agreements in relation to the Proposals; and

(viii) other relevant publicly available information.

We have relied on the ECMLFG Group and other parties to the various agreements in relation to the Proposals as well as their directors, management and/or representatives to take due care in ensuring that all information, documents, confirmations and representations provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this Independent Advice Letter have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board has seen, reviewed and accepted this Independent Advice Letter. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this Independent Advice Letter *(save for the assessment, evaluation and opinion of Mercury Securities)* and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this Independent Advice Letter, the omission of which would make any information in this Independent Advice Letter misleading.

The responsibility of the Board in respect of:-

(i) the information relating to TPRE, TPSB, TP International, TP Flinders, YKSB, Noblemen and THSB *(as provided by the respective parties)* is limited to ensuring that such information is accurately reproduced in this Independent Advice Letter; and

(ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposals is limited to ensuring that accurate information in relation to the ECMLFG Group was provided to Mercury Securities for its evaluation of the Proposals and to ensure that all information in relation to the ECMLFG Group that are relevant to Mercury Securities' evaluation of the Proposals have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the Proposals and therefore are of general concern to the non-interested shareholders of ECMLFG to consider and form their views thereon. Notwithstanding the foregoing:-

(i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposals; and

(ii) we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We recommend that any individual non-interested shareholder or group of non-interested shareholders who is / are in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this Independent Advice Letter are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It is also based on the assumption that the parties to the various agreements in relation to the Proposals are able to fulfill their respective obligations in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time after the date of this letter. In addition, it should be noted that our evaluation and opinion expressed in this Independent Advice Letter do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

The followings are disclosures made pursuant to the IAL Guide:-

(i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposals;

(ii) Save for the current appointment as the Independent Adviser for the Proposals, we do not have any other professional relationship with ECMLFG in the past 2 years; and

(iii) We are a holder of Capital Markets Services Licence issued by the Securities Commission Malaysia as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

Amongst others, our experience and credentials as independent adviser include the following:-

(a) independent adviser to the non-interested shareholders of Yi-Lai Berhad ("**Yi-Lai**") in relation to the conditional mandatory take-over offer by Boundless Vigour Sdn Bhd ("**Boundless Vigour**") to acquire all the remaining ordinary shares in Yi-Lai (*excluding treasury shares*) not already owned by Boundless Vigour, ultimate offerors and persons acting in concert with them, whereby our independent advice circular was issued on 6 November 2017;

(b) independent adviser to the non-interested shareholders of Willowglen MSC Berhad ("**Willowglen**") in relation to the unconditional mandatory take-over offer by New Advent Sdn Bhd ("**New Advent**") to acquire all the remaining ordinary shares in Willowglen (*excluding treasury shares*) not already owned by New Advent and persons acting in concert with it, whereby our independent advice circular was issued on 17 October 2017;

(c) independent adviser to the non-interested shareholders of Wing Tai Malaysia Berhad ("**WTM**") in relation to the unconditional take-over offer by Wing Tai Holdings Limited and Wing Tai Investment & Development Pte Ltd (collectively, the "**WTM Joint Offerors**") to acquire all the remaining ordinary shares in WTM (*excluding treasury shares*) not already owned by the WTM Joint Offerors, whereby our independent advice circular was issued on 23 June 2017;

(d) independent adviser to the entitled shareholders of Malaysia Packaging Industry Berhad ("**Maypak**") in relation to the proposed selective capital reduction and repayment exercise of Maypak pursuant to Section 117 of the Companies Act; whereby our independent advice letter was issued on 17 May 2017;

(e) independent adviser to the non-interested shareholders of E.A. Technique (M) Berhad ("**EAT**") in relation to the proposed acquisition by EAT from MTC Engineering Sdn Bhd ("**MTCE**") of topside equipment installed on a floating storage unit ("**Vessel**") used in offshore oil and gas exploration, together with the novation by MTCE to EAT of a contract awarded to MTCE by a company under the PETRONAS group of companies for the chartering of the Vessel with the topside equipment, for a total purchase consideration of USD24.00 million to be satisfied via cash and set-off of amount owing by MTCE to EAT, whereby our independent advice letter was issued on 3 March 2017;

(f) independent adviser to the entitled shareholders of Padiberas Nasional Berhad ("**Bernas**") in relation to the proposed selective capital reduction and repayment exercise of Bernas pursuant to Section 116 of the Companies Act, whereby our independent advice letter was issued on 2 March 2017; and

(g) independent adviser to the non-interested shareholders of Tecnic Group Berhad ("**Tecnic**") in relation to the unconditional mandatory take-over offer by Rohas-Euco Holdings Sdn Bhd, Tan Sri Nik Awang @ Wan Azmi bin Wan Hamzah, Puan Sri Nik Anida binti Nik Manshor, Sia Bun Chun and Chan Liew Hoon (collectively, the "**Tecnic Joint Offerors**") to acquire all the remaining ordinary shares in Tecnic not already owned by the Tecnic Joint Offerors, whereby our independent advice circular was issued on 13 February 2017.

3. EVALUATION OF THE PROPOSALS

In our evaluation of the Proposals, we have considered the following factors:-

(i) Rationale for and benefits of the Proposals and the Proposed Special Dividend;

(ii) Basis and justification of the purchase consideration, disposal consideration and Issue Price;

(iii) Salient terms of the sale and purchase agreements for the Proposed Acquisitions, shareholders agreements, unitholders deed, Collaboration Agreement and sale and purchase agreements for the Proposed Disposals;

(iv) Effects of the Proposals and the Proposed Special Dividend on the ECMLFG Group;

(v) Prospects of the ECMLFG Group in the tourism and hospitality industry; and

(vi) Risk factors in relation to the Proposals.

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5.1 Rationale for and benefits of the Proposals and the Proposed Special Dividend

The rationale for and benefits of the Proposals and the Proposed Special Dividend as extracted from Section 2, Part A of the Circular and our commentaries are as follows:-

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries
<u>Proposed Acquisitions, Proposed Diversification and Proposed Provision of Financial Assistance</u> The Group generates revenue principally through the provision of credit and fund management services through its main business activities of general investments, management of unit trust funds and asset management, structured lending and financial-related services. The provision of credit is conducted through its wholly-owned subsidiary, ECM Libra Partners Sdn Bhd, a licensed moneylender. The Group's fund management services comprise both asset management and unit trust management conducted through Libra Invest Berhad, also a wholly-owned subsidiary that is a fund manager licensed by the Securities Commission Malaysia. ECMLFG intends to continue to engage in these principal business activities after completing the Proposals and the Proposed Special Dividend in addition to being involved in the hotel business. The financial performance of the Group is exposed to fluctuations of the financial markets. The Proposed Acquisitions will enable the Group to diversify its revenue and earnings stream into a new business area that has potential for growth, while leveraging on the existing and established hospitality franchise of the "Tune Hotels.Com" brand. Furthermore, the assets from the Proposed Acquisitions are strategically located and have promising prospects, in line with the positive outlook of the tourism and hospitality industry in both Malaysia and Australia as described in Sections 7.1 and 7.2 respectively in Part A of the Circular. From the perspective of venturing into a new business area, the hotel business provides the Group with an opportunity to derive earnings from a sector that is promising and not related to the financial markets while at the same time provides an underlying asset base derived from the hotel properties acquired. As a result, apart from deriving the economic benefits from operating the hotels, ECMLFG expects to also benefit from capital appreciation from long term increase in property values. Although the Proposed Acquisitions are not synergistic or complementary with the Group's existing business activities, they are complementary with each other as Tune Hotel KLIA2, Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis all operate under a common "Tune Hotels.Com" franchise.	**<u>Exit from investment banking business in 2012</u>** In 2012, ECMLFG exited the investment banking business by disposing of its wholly-owned subsidiary, ECM Libra Investment Bank Berhad ("**ECMLIB**")[(1)] to Kenanga Investment Bank Berhad for a disposal consideration of more than RM800 million, a majority of which was distributed to the shareholders of ECMLFG. *<u>Note:-</u>* *(1) ECMLIB was principally involved in dealing with securities and derivatives and was a participating organisation of Bursa Securities and a trading participant of Bursa Malaysia Derivatives Berhad. ECMLIB was also involved in the provision of corporate finance and other advisory services by virtue of its status as an investment bank. Its subsidiaries were principally engaged in the provision of nominee services to clients. The type of products and services provided by ECMLIB and its subsidiaries included stockbroking, investment banking, structured lending, treasury, capital market and wealth management.* The disposal was made after considering that the prospects of ECMLIB as a standalone mid-size investment bank *(i.e. an investment bank that is not part of a banking group comprising amongst others, a commercial bank)* will be challenging in view of the increasingly competitive financial services sector in Malaysia, following the liberalisation of the Malaysian financial sector. As compared to larger investment banks which have capacity in terms of capital, expertise, infrastructure, strong franchise and branding, ECMLIB would face greater challenges amidst the intense competitive landscape. Following the disposal of its investment banking business, ECMLFG carried on its financial services business, albeit at a smaller scale, in the area of fund management, structured lending as well as proprietary investments in private equity and quoted securities. A summary of the ECMLFG Group's historical financial performance is set out in the table below:-

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries

Revenue contribution		11-month FPE 31 December 2016		FYE 31 January 2016		2015		2014		2013 (Restated)		2012	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Continuing operations	(i) Fund management	11,496	51.73	12,120	33.06	12,768	26.26	11,559	41.27	12,337	7.54	11,481	6.44
	(ii) Corporate advisory and structured financing	4,717[1]	21.23	5,843	15.94	5,566	11.44	4,122	14.72	-	-	-	-
	(iii) Investment holding and capital market operations	6,010[1]	27.04	18,698	51.00	30,293	62.30	12,325	44.01	4,437	2.71	2,499	1.40
		22,223	100.00	36,661	100.00	48,627	100.00	28,006	100.00	16,774	10.25	13,980	7.84
Discontinued operations (ECMLIB)	(i) Stockbroking	-	-	-	-	-	-	-	-	48,045	29.36	57,330	32.15
	(ii) Treasury and capital market operations	-	-	-	-	-	-	-	-	52,437	32.04	59,757	33.52
	(iii) Investment banking and structured finance	-	-	-	-	-	-	-	-	43,097	26.34	45,283	25.40
	(iv) Others	-	-	-	-	-	-	-	-	3,290	2.01	1,937	1.09
		-	-	-	-	-	-	-	-	146,869	89.75	164,307	92.16
Total revenue		**22,223**	**100.00**	**36,661**	**100.00**	**48,627**	**100.00**	**28,006**	**100.00**	**163,643**	**100.00**	**178,287**	**100.00**

PBT contribution		11-month FPE 31 December 2016		FYE 31 January 2016		2015		2014		2013 (Restated)		2012	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Continuing operations	(i) Fund management	1,655	23.26	638	4.87	1,595	5.37	1,034	11.32	2,513	9.52	2,472	4.81
	(ii) Corporate advisory and structured financing	4,649[1]	65.32	5,765	44.03	5,516	18.59	4,201	45.99	-	-	-	-
	(iii) Investment holding and capital market operations	813[1]	11.42	6,690	51.10	22,568	76.04	3,900	42.69	103	0.39	(706)	(1.37)
		7,117	100.00	13,093	100.00	29,679	100.00	9,135	100.00	2,616	9.91	1,766	3.44
Discontinued operations (ECMLIB)	(i) Stockbroking	-	-	-	-	-	-	-	-	(3,541)	(13.42)	3,554	6.91
	(ii) Treasury and capital market operations	-	-	-	-	-	-	-	-	5,504	20.86	25,788	50.17
	(iii) Investment banking and structured finance	-	-	-	-	-	-	-	-	21,183	80.28	23,892	46.49
	(iv) Others	-	-	-	-	-	-	-	-	625	2.37	(3,604)	(7.01)
		-	-	-	-	-	-	-	-	23,771	90.09	49,630	96.56
Total PBT *(excluding from associated company)*		**7,117**	**100.00**	**13,093**	**100.00**	**29,679**	**100.00**	**9,135**	**100.00**	**26,387**	**100.00**	**51,396**	**100.00**

Note:-

(1) Ceased corporate advisory and capital market operations.

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries
The Board believes that the Proposed Acquisitions and the Proposed Diversification will contribute positively to the ECMLFG Group's future earnings and reduce reliance on its current business. Please refer to Section 7.3, Part A of the Circular for more information on the prospects of the Tune Hotel KLIA2, the Flinders Lane Property, YKSB, the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis. The Proposed Provision of Financial Assistance is an integral part of and a consequence of acquiring the 50% equity interest in TPSB under the Proposed Acquisitions from TPRE, as it ensures that TPSB maintains the existing term loan facility to fund its operations of the Tune Hotel KLIA2.	As shown in the table above, ECMLFG derived majority *(approximately 90% and more)* of its revenue and profit from its investment banking business. After the divestment of its investment banking business, ECMLFG has evaluated and explored various opportunities and/or corporate proposals in order to diversify and expand the Group's earnings base. **<u>Diversification into the hotel business</u>** The Proposed Acquisitions *(including the consequential Proposed Provision of Financial Assistance and the Proposed Collaboration)* and the Proposed Diversification provide a strategic opportunity for ECMLFG to diversify its revenue and earnings stream into the hotel business that has potential for growth while leveraging on the following:- **(i) Existing hospitality management and operations expertise and established hospitality franchise of the "Tune Hotels.Com" brand** Since the opening of its first hotel in Kuala Lumpur in 2007, the "Tune Hotels.Com" franchise has grown into a hotel chain with 17 establishments in Malaysia, India, Indonesia and the United Kingdom. Well-known for its pay-as-you-use system with the flexibility to add on products and services at affordable prices, the limited-service hotel chain has established a firm footing within the local hospitality industry. In view of the above, upon completion of the Proposed Acquisitions and the Proposed Diversification, ECMLFG will benefit from the "Tune Hotels.Com" franchise's existing and established operations, infrastructure, branding as well as customer awareness and loyalty. **(ii) Hotel properties at various strategic / prime locations** Location is an important consideration for travellers / hoteliers who will prefer conveniently located accommodation for better travel experience. The hotels to be purchased, as well as the Flinders Lane Property *(which is intended to be developed into a hotel)*, are all located at strategic / prime locations for travellers / hoteliers as follows:-

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries
	(see table below)

Hotel properties	Location
Tune Hotel KLIA2	Tune Hotel KLIA2 is located within the vicinity of KLIA2, Malaysia's major air transportation hub that allows seamless connectivity for both local and international low-cost plus full-service carriers. KLIA2 is planned to accommodate 45 million passengers a year. Since its opening in May 2014, the airport has recorded increasing passenger traffic. In 2016, KLIA2 handled 27.1 million passengers, a 3% growth from the previous year.
Tune Hotel KLIA Aeropolis	Tune Hotel KLIA Aeropolis serves as an alternative to the Tune Hotel KLIA2 and provides the benefit of being able to absorb guest overflows in the event of delayed or cancelled flights at KLIA2 as the Tune Hotel KLIA2 generally experiences high occupancy. The hotel provides a dedicated direct shuttle service commuting between the Tune Hotel KLIA Aeropolis and the Tune Hotel KLIA2 on a regular schedule. In addition, the Tune Hotel KLIA Aeropolis is poised to benefit from the establishment of Digital Free Trade Zone in KLIA Aeropolis.
Tune Hotel Penang	Tune Hotel Penang is strategically located along Jalan Burma, a major road at the heart of Georgetown, Penang. Penang *(which offers cultural heritage, delicious food, natural beauty and modern entertainment for both local and foreign tourists)* has been one of the popular travel destinations in Malaysia.

<table>
<tr><th>Rationale for and benefits of the Proposals and the Proposed Special Dividend</th><th>Our commentaries</th></tr>
<tr><td></td><td>
<table>
<tr><th>Hotel properties</th><th>Location</th></tr>
<tr><td>Tune Hotel KK</td><td>Tune Hotel KK is located within one of the largest malls in East Malaysia i.e. 1Borneo Hypermall in Kota Kinabalu, Sabah.

Kota Kinabalu is the capital of the state of Sabah and Kota Kinabalu International Airport is one of the top 3 busiest airport in the country, indicating that Kota Kinabalu is a major tourist destination and a popular getaway for travellers.</td></tr>
<tr><td>Flinders Lane Property</td><td>The Flinders Lane Property is well located with dual frontage to Flinders Street and Flinders Lane, in the south western corner of the Melbourne CBD and close proximity to major roads, retail and public transport facilities as well as within walking distance to key tourist attractions such as Melbourne Exhibition Centre, Etihad Stadium, Eureka Tower and the Crown Casino.</td></tr>
</table>

(iii) Positive outlook of the tourism and hospitality industry in both Malaysia and Australia as well as the promising prospects of the hotel properties

Please refer to Section 7, Part A of the Circular and Section 5.5 below for further details.

In view of the above, the Proposed Acquisitions and the Proposed Diversification are expected to contribute positively to the ECMLFG Group’s future earnings and reduce reliance on its current business. Please refer to Section 5.4.2 below for the pro forma effects of these proposals to the Group’s earnings.
</td></tr>
</table>

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries
<u>Proposed Collaboration</u> Currently, the Group does not have any expertise in hotel ownership and management, but ECMLFG intends to develop such skillsets and expertise by leveraging on the expertise of Plato through TPRE *(who is the other shareholder in the Target Entities after completing the Proposed Acquisitions from TPRE (save for TP Flinders))* which has experience in investing, developing and monetising hotel properties. Furthermore, the Proposed Collaboration will provide an opportunity for the Group to develop its own expertise and experience in hospitality management and operations with TH (Brandco) and at the same time leverage on an existing and established hospitality franchise. This provides the Company with a platform to grow and deepen its involvement in the hotel business with the benefit of an established franchise.	The Proposed Collaboration *(which shall be effective after the date of completion of the TPRE SPA for a term of 15 years)* provides an added incentive to ECMLFG to complete the Proposed Acquisitions. Pursuant to the Proposed Collaboration:- (i) ECMLFG would be granted the right to use and to grant franchise of the "Tune Hotels.Com" brand as the worldwide master franchisor for new business after the date of completion of the TPRE SPA, and for ECMLFG to receive all revenue derived from such new business successfully secured by ECMLFG as worldwide master franchisor; and (ii) ECMLFG would, at the cost of TH (Brandco), provide and contribute its management expertise *(including financial investment, strategic review and fund raising)*, and where necessary, second necessary personnel and staff to TH (Brandco) at cost plus 10%, providing the ECMLFG Group with a platform to develop its experience in hospitality management and operations with the benefit of an established franchise in addition to leveraging on the expertise of Plato through TPRE.
<u>Proposed Special Dividend</u> The Proposed Special Dividend is consistent with the objectives of the Company's capital management framework which includes returning cash in excess of the Group's requirement to shareholders, after taking into consideration the Group's level of operations, cash, business prospects, investment plans as well as current and expected obligations.	The Proposed Special Dividend marks the 3rd series of capital repayment / special dividend by ECMLFG to its shareholders i.e. after:- (i) distribution of cash and securities in K&N Kenanga Holdings Berhad in 2013 following completion of the disposal of ECMLIB; and (ii) distribution of cash and securities in Eastern & Oriental Berhad in 2015. The amount of special dividend to be declared is dependent on the latest announced consolidated NA of ECMLFG preceding the completion of the Proposed Acquisitions, after taking into account the Proposed Disposals so as to arrive at an eventual targeted NA after the Proposed Special Dividend of approximately RM103.2 million or RM0.36 per Share. Accordingly, in addition to rewarding the shareholders of ECMLFG for their investment in the Company, the Proposed Special Dividend will also result in the ECMLFG's consolidated NA to be adjusted to approximately RM103.2 million or RM0.36 per Share, which is equivalent to the Issue Price of the Consideration Shares.

Rationale for and benefits of the Proposals and the Proposed Special Dividend	Our commentaries
<u>Proposed Disposals</u> The Proposed Disposals are an opportunity for the Company to realise its investments in non-core assets and to channel the proceeds for distribution to its shareholders through the Proposed Special Dividend, as the disposal proceeds shall form part of the Proposed Special Dividend.	Prior to the completion of the Proposed Acquisitions, ECMLFG intends to dispose of its non-core assets and distribute the disposal proceeds as special dividend to its shareholders. The Proposed Special Dividend is subject to the Proposed Disposals becoming unconditional. The said non-core assets are the East Wing and Centre Wing of Bangunan ECM Libra *(which are currently partly occupied by the Group ("**ECMLFG's Area**"), partly tenanted and partly vacant)* and the Semi-D Property *(which is currently vacant)*. On the completion date, ECMLFG will enter into a tenancy agreement with Noblemen so as to continue to occupy ECMLFG's Area based on terms and conditions which are on an arm's length basis and no worse than the tenancies granted to other tenants of Bangunan ECM Libra.

Based on the above, we are of the view that the rationale for and benefits of the Proposals are fair and reasonable.

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5.2 Basis and justification of the purchase consideration, disposal consideration and Issue Price

<u>Evaluation of the purchase consideration and disposal consideration</u>

(i) Proposed Acquisitions from TPRE

We noted the basis and justification of the aggregated purchase consideration for the Proposed Acquisitions from TPRE in Section 3.2, Part A of the Circular. We are of the opinion that the factors considered by ECMLFG in arriving at the said aggregated purchase consideration are appropriate.

In evaluating the aggregated purchase consideration of RM57,674,000, we have conducted a valuation on the target entities based on the following valuation methods:-

Target entities	Valuation methods
(a) TPSB	DCF
(b) TP Flinders and TP International	Revalued Net Asset Valuation ("**RNAV**")
(c) YKSB	NA

<u>TPSB</u>

TPSB is principally involved in constructing, managing and operating the Tune Hotel KLIA2 pursuant to the terms and conditions under the KLIA2 Concession Agreement which expires on 31 January 2034. Given the nature of the relatively predictable and constant stream of cash flows derived from its limited-service hotel business, the future cash flows to be derived by TPSB *(which is mainly derived from room sales based on the projected occupancy and average room rates)* can be estimated.

In view of the above, we view that the DCF valuation model is the most appropriate method to appraise the valuation of the equity interest in TPSB as this method is able to effectively factor in the earnings and cash flows potential of TPSB as well as the timing of such cash flows to be generated.

The DCF valuation model is a commonly used investment appraisal technique which considers both the time value of money and the future cash flows to be derived from the subject asset / business over a specified period of time in evaluating the attractiveness of an investment opportunity. As the methodology entails the discounting of future cash flows to be generated from the said asset / business at a specified discount rate to arrive at the fair value of the investment, the riskiness of generating such cash flows will also be taken into consideration.

Premised on the above, we have adopted the DCF valuation model as our sole valuation method. Under the DCF valuation method, the free cash flow to equity projected to be generated from limited-service hotel business is discounted at an appropriate cost of equity to derive the present value of all future cash flows from the business.

We have reviewed the future financial information of TPSB until 2034, being the expiry of the KLIA2 Concession Agreement period ("**KLIA2 Future Financials**"), which was prepared by its management and reviewed by the Board. Such KLIA2 Future Financials have been prepared based on various key bases and assumptions and have not been reviewed by the auditors, consultant accountants or other financial advisers.

We have considered and evaluated the key bases and assumptions adopted in the KLIA2 Future Financials and are satisfied that the key bases and assumptions used in the preparation of the KLIA2 Future Financials are reasonable and appropriate given the prevailing circumstances and significant factors that are known as at the LPD *(including current economic, market and other conditions as well as any material development surrounding TPSB and the tourism and hospitality industry in Malaysia)*.

The key bases and assumptions adopted in the preparation of the KLIA2 Future Financials are as follows:-

(i) TPSB is a going concern and the Tune Hotel KLIA2 is expected to sustain its operations until the expiry of the KLIA2 Concession Agreement period in 2034.

The KLIA2 Concession Agreement is assumed to expire on 31 January 2034 and will not be terminated earlier by MAP *(for reasons due to operational requirements or due to governmental directive, safety or security related issues)*.

It is also assumed that the concession period will not be extended *(although the Company understands that there are ongoing discussions by TPSB regarding the extension of the concession period in line with the government's extension of MAHB's lease)*;

(ii) the 434-room limited-service hotel will continue to operate at an average occupancy rate of slightly above 90% during the KLIA2 Concession Agreement period;

(iii) there will not be any significant or material disruptions or interruptions to the hotel operations *(whether due to acts of God, fire or other unforeseen circumstances)*. All insurable risks are and will continue to be appropriately covered by relevant insurance policies and the sums insured are adequate;

(iv) there will not be any significant or material changes in the average room rates and operating expenses of the Tune Hotel KLIA2 save for inflationary increases;

(v) there will not be any significant or material capital expenditure to be incurred, save for major refurbishment in every 5 years to maintain the Tune Hotel KLIA2 in a tenantable condition;

(vi) there will not be any significant or material changes to the agreements, approvals, licenses, permits and regulations governing the business activities of TPSB;

(vii) there will not be any significant or material changes in the principal activities of TPSB;

(viii) the current accounting policies adopted by TPSB will remain relevant and there will not be any significant changes in the accounting policies of TPSB which have material impact on the financial performance and financial position of TPSB; and

(ix) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the tourism and hospitality industry in Malaysia.

In order to derive the fair value of TPSB's business, we have discounted the free cash flow to equity projected to be generated from the said business at an appropriate cost of equity to reflect the rate of return required by TPSB's shareholders. Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions		Descriptions
(i)	Free cash flow to equity ("**FCFE**")	Based on the KLIA2 Future Financials until 2034	FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capital, net investing cash flows and net financing cash flows. We have reviewed the key bases and assumptions adopted in the KLIA2 Future Financials prepared by the management of TPSB in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	Cost of equity ("$\mathbf{K_e}$")	10.75% to 17.42%	Cost of equity represents the rate of return required by an investor on the cash flow streams generated by TPSB given the risks associated with the cash flows. In deriving the cost of equity for TPSB, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity ranging from 10.75% to 17.42% *(after an upward adjustment of 15% to 25% for the marketability discount of the unlisted shares of TPSB)* with the following inputs:- $K_e = R_f + \beta (R_m - R_f)$
(iii)	Risk-free rate of return ("$\mathbf{R_f}$")	3.95%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities. As extracted from Bloomberg, the said yield is 3.95% per annum as at 3 May 2017, being the last trading day ("**LTD**") prior to the date of the announcement of the Proposals.
(iv)	Expected market rate of return ("$\mathbf{R_m}$")	10.71%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.71% per annum for the past 10 years.

No	Key bases and assumptions		Descriptions
(v)	Beta ("**β**")	0.799 to 1.477	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and *vice versa*. In deriving the estimated beta of TPSB, we have relied on the adjusted 3-year beta up to the LTD of companies listed on Bursa Securities, with market capitalisation of below RM500 million and whose core business involves the hotel business[(1)]. As the adjusted beta extracted from Bloomberg is based on the capital structure of the respective comparable companies, we have un-levered the adjusted beta and re-levered it based on the expected capital structure of TPSB. Based on our computation, the re-levered beta of TPSB ranges from 0.799 to 1.477. *Note:-* *(1) There is no company listed on Bursa Securities which is identical to TPSB's limited-service hotel business. Whilst we noted that TPSB may have different business models as compared to the comparable companies set out below, we view that these companies are adequately comparable to TPSB and are reasonable to be adopted as proxies for the purposes of deriving the estimated beta of the tourism and hospitality industry in Malaysia. The comparable companies identified are as follows:-* *(i) Grand Central Enterprises Bhd;* *(ii) Landmarks Berhad; and* *(iii) Pan Malaysia Holdings Berhad.* For information purposes, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows:- Adjusted beta = (0.67 * Historical beta) + (0.33 * 1.0)
(vi)	Statutory corporate income tax rate	24%	The latest statutory corporate income tax rate applicable to TPSB is 24%.
Fair value of TPSB's business		**ranges from approximately RM50.87 million to RM55.22 million**	The formula used to derive the fair value of TPSB's business is as follows:- Fair value = Present value of projected FCFE based on the KLIA2 Future Financials[(1)] *Note:-* *(1) Computed based on the following formula:-* *Present value of FCFE* = $\frac{FCFE}{(1 + K_e)^n}$ *whereby, n represents time, in years into the future.*

TP Flinders and TP International

TP Flinders is a fixed unit trust incorporated in Australia to hold and develop the Flinders Lane Property whereas TP International is an Australian incorporated company which acts as the trustee of TP Flinders. Accordingly, their assets are principally represented by the Flinders Lane Property *(92% of total assets as at 30 September 2016)* while the other assets comprise liquid assets such as cash and cash equivalents *(7%)* as well as receivables *(1%)*.

In view of the above, we view the RNAV methodology *(an asset-based valuation method)* as the most appropriate method to derive a valuation of these entities. The RNAV methodology is a generally accepted method in the valuation of property development and/or property investment entities. This methodology takes into consideration any surplus and/or deficit *(net of tax)* arising from the revaluation of material assets to reflect their market values based on presumption that the assets are realisable on a willing-buyer willing-seller basis in the open market.

For the purpose of valuing the Flinders Lane Property, ECMLFG had appointed m3property. The Flinders Lane Property comprises the interest in perpetuity in a substantial redevelopment site which is currently accommodating a double-storey building *(which was most recently used as a data centre and has been vacant since 2016)*.

In arriving at the opinion on the market value of the Flinders Lane Property, m3property has adopted the direct comparison method as their single approach for the purpose of their assessment. The direct comparison method involves the direct comparison of sales of broadly similar properties transacted in the open market, having regard to factors such as planning approvals, zoning, topography, shape / frontage, density and location.

Based on the update valuation certificate by m3property dated 25 September 2017, the latest market value of the Flinders Lane Property as at 14 September 2017 is AUD21.50 million.

After considering the latest valuation of the Flinders Lane Property as ascribed by m3property, the estimated RNAV of TP Flinders and TP International and ECMLFG's entitlements pursuant to the proposed acquisitions of these entities are as follows:-

	TP Flinders	**TP International**	**Total**	
	AUD'million	**AUD'million**	**AUD'million**	**RM'million[1]**
Audited net assets / (liabilities) as at 30 September 2016	0.002	(0.009)		
Add: Net revaluation surplus arising from the Flinders Lane Property	1.616[2]	-		
Estimated RNAV	**1.618**	**(0.009)**		
Equity interest to be acquired by ECMLFG (%)	40.005	50.000		
Estimated RNAV attributable to ECMLFG	0.647	(0.005)	0.642	2.083
Add: 40.005% of the rights and benefits to the total advances owing by TP Flinders[3]	10.641	-	10.641	34.524
ECMLFG's entitlements	**11.288**	**(0.005)**	**11.283**	**36.607**

Notes:-

(1) Translated based on the closing exchange rate as at 31 October 2017 of RM3.2444/AUD as extracted from BNM's website.

(2) *After deducting capital gains tax as computed below based on the assumption that the Flinders Lane Property will be realised in the open market at the market value:-*

	AUD'million
Market value of the Flinders Lane Property	*21.500*
Less: Cost of acquisition	*(19.599)*
Revaluation surplus	*1.901*
Less: Deferred tax adjustment of 15%, based on Australian capital gains tax applicable for a trust, assuming that the asset will be held for at least 12 months	*(0.285)*
Net revaluation surplus	***1.616***

(3) *Being 40.005% of the total advances owing by TP Flinders after the Subscription and Advances of AUD26.600 million.*

Further details of the valuation of TP Flinders and TP International are set out in the expert's report in Appendix IX of the Circular.

YKSB

YKSB is the owner of the Glasshouse Café restaurant business at the Tune Hotel KLIA2 and the provider of food-catering services at the AirAsia Lounge located in KLIA2. YKSB commenced business only in April 2016 and reported a loss after tax of RM0.09 million for the financial period from the date of incorporation on 4 February 2016 to 30 September 2016.

In view of the above, we have adopted the latest audited net liabilities as at 30 September 2016 of YKSB i.e. RM0.09 million as its fair value.

Our commentaries:-

Based on our valuation as summarised below, the aggregated purchase consideration for the Proposed Acquisitions from TPRE of RM57.67 million represents a discount ranging between 6.91% and 10.07% against total ECMLFG's entitlements pursuant to the Proposed Acquisitions from TPRE.

ECMLFG's entitlements	**Valuation methods**	**Fair value** **Low range (RM'million)**	**Fair value** **High range (RM'million)**
(a) 50% equity interest in TPSB	DCF	25.43	27.61
(b) 40.005% equity interest in TP Flinders *(together with 40.005% of the rights and benefits to the total advances owing by TP Flinders)*; and (c) 50% equity interest in TP International	RNAV	36.61	36.61
(d) 50% equity interest in YKSB	NA	(0.09)	(0.09)
Total ECMLFG's entitlements		**61.95**	**64.13**
Purchase consideration		**57.67**	**57.67**
Discount			
- RM'million		4.28	6.46
- %		6.91	10.07

Accordingly, we view that the purchase consideration for the Proposed Acquisitions from TPRE *(comprising equity interests in TPSB, TP Flinders, TP International and YKSB)* is fair and reasonable.

(ii) Proposed Tune Hotels Acquisitions

We noted the basis and justification of the purchase consideration for the Proposed Tune Hotels Acquisitions in Section 4.2, Part A of the Circular. We are of the opinion that the factors considered by ECMLFG in arriving at the said purchase consideration are appropriate.

In evaluating the said purchase consideration, we have:-

(i) reviewed the valuation conducted by Henry Butcher Penang for the Tune Hotel Penang;

(ii) reviewed the valuation conducted by Henry Butcher Sabah for the Tune Hotel KK; and

(iii) conducted a valuation on the rights to operate and maintain the Tune Hotel KLIA Aeropolis based on the DCF valuation method.

Tune Hotel Penang

Tune Hotel Penang comprises an 11-storey building on a freehold land along Jalan Burma. It is a budget hotel comprising 258 guestrooms under the name of "Tune Hotels - Downtown Penang".

Being an operating hotel, the market value of the Tune Hotel Penang is assessed on a going concern basis and the valuation given comprises the value attributed to the real estate components and includes the contribution as a whole from all its other constituent parts such as necessary furniture, fittings and finishes fixed and fitted in the hotel, plant and machinery such as air-conditioning, generators and other supporting facilities for the hotel, complete tele-communications system as fitted and installed, kitchen appliances and utensils, existing work force and management in place, goodwill etc.

In arriving at the opinion on the market value of the Tune Hotel Penang, Henry Butcher Penang has selected the profit method *(by DCF)* as it analyses 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's investment potential.

Under the profit method *(by DCF)*, the net operating profit[1] from hotel operation is capitalised at an appropriate discount rate that reflects the risk and the business to arrive at the market value of the hotel.

Note:-
(1) The net operating profit from hotel operation is derived as follows:-

Gross operating revenue (mainly derived from room sales)		
Less:	*Direct operating expenses*	
=	*Net operating revenue*	
Less:	*Undistributed overhead expenses*	
=	*House profit*	
Less:	*(i)*	*Fees payable for franchise fees, monthly revenue service fees, advertising and promotion fees, hotel management fees etc.*
	(ii)	*Fixed overhead expenses / Statutory payments and fees*
	(iii)	*Capital expenditure reserve*
=	***Net operating profit***	

Arising from the above and based on the valuation report by Henry Butcher Penang dated 25 May 2017, the market value of the Tune Hotel Penang as at 12 April 2017 is RM21.30 million.

We noted that Henry Butcher Penang has further used the comparison approach *(in which Henry Butcher Penang derived a higher market value of RM23.22 million)* to counter-check the market value of the Tune Hotel Penang derived based on the profit method *(by DCF)*.

The comparison approach involves the comparing the subject property 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 was given to factors such as time *(market improvement)*, location, specification of building, in-house facilities and services, seaview, guestroom size, “Star” rating and other relevant factors to arrive at the market value of the subject property.

Further, based on the update valuation certificate by Henry Butcher Penang dated 14 September 2017, Henry Butcher Penang is of the opinion that the market value of the Tune Hotel Penang (RM21.30 million) remains unchanged as at 11 September 2017.

We are of the view that the valuation methodologies adopted by Henry Butcher Penang are appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by Henry Butcher Penang and find them to be reasonable. As such, we are satisfied with the reasonableness of Henry Butcher Penang’s opinion on the market value of the Tune Hotel Penang.

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Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of the Tune Hotel Penang by Henry Butcher Penang:-

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>1.</td><td>Projected room revenue, which is driven by:-</td><td></td></tr>
<tr><td></td><td>(i) Total number of guestrooms
<table>
<tr><th>Projection year</th><th>Total number of guestrooms</th></tr>
<tr><td>Year 1 to terminal year</td><td>246</td></tr>
</table>
</td><td>Fair and reasonable. Whilst the total number of guestrooms of the Tune Hotel Penang as stated in the approved architectural ‘As-Built’ plan is 258, the management of THSB has combined 24 rooms and classified them as 12 ‘Quad Rooms[(1)]’. Accordingly, taking into consideration the current operating room arrangement, the total number of guestrooms available shall be 246 instead of 258.

<u>Note:-</u>
A ‘Quad Room’ is the combination of a ‘Double Room’ and a ‘Twin Room’ which are connectable with each other.</td></tr>
<tr><td></td><td>(ii) Average room rate
<table>
<tr><th>Projection year</th><th>Average room rate (RM)</th></tr>
<tr><td>Year 1</td><td>90.00</td></tr>
<tr><td>Year 2</td><td>92.70</td></tr>
<tr><td>Year 3</td><td>95.48</td></tr>
<tr><td>Year 4</td><td>98.35</td></tr>
<tr><td>Year 5</td><td>101.30</td></tr>
<tr><td>Terminal year</td><td>104.33</td></tr>
</table>
</td><td>Fair and reasonable. Average room rate is the relevant rate to be adopted in view of the various categories of guestrooms and the industry norm whereby actual room rate (i.e. ‘Published Rate’ or ‘Listed Rate’ or ‘Rack Rate’) is usually not attainable in the context of sales throughout the year.

The room rate fluctuates based on daily demand and availability of rooms, where early bookings are rewarded with low prices. Further, various discounts are normally offered such as corporate discounts, discounts in kind such as complimentary breakfasts, discounts for airlines’ long-term en bloc reservation as well as special rates for travel agencies and tour group based on the contractual agreements.

The historical average room rate (including revenue from add-on amenities) of the Tune Hotel Penang is as follows:-
<table>
<tr><th>Year</th><th>Average room rate (RM)</th></tr>
<tr><td>2014</td><td>78.87</td></tr>
<tr><td>2015</td><td>82.40</td></tr>
<tr><td>2016</td><td>78.50</td></tr>
</table>
When compared with 2016, the average room rate of RM90.00 projected for Year 1 is higher, mainly due to the inclusion of additional amenities (such as air-conditioning, television, towels, toiletries and wireless broadband internet access, all of which were previously optional add-on amenities) in the standard guestroom package of the hotel effective from January 2017. Further, we noted that:-

(i) the average room rate of RM90.00 projected for Year 1 falls within the range of room rates published online (as set out in the valuation report) for a typical standard room offered by other similar hotels located within Georgetown area; and

(ii) Henry Butcher Penang has thereafter adopted a modest annual increase of 3% for the average room rate of the subsequent years as the average room rate of hotels located in Georgetown City generally increases by 2% to 5% annually depending on the location and grading of the hotel.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td></td><td>(iii) Occupancy rate
<table><tr><th>Projection year</th><th>Occupancy rate (%)</th></tr><tr><td>Year 1</td><td>50.0</td></tr><tr><td>Year 2</td><td>52.0</td></tr><tr><td>Year 3</td><td>54.0</td></tr><tr><td>Year 4</td><td>56.0</td></tr><tr><td>Year 5</td><td>58.0</td></tr><tr><td>Terminal year</td><td>60.0</td></tr></table></td><td>Fair and reasonable. The occupancy rate is expected to increase over time from 50% to achieve 60% in the terminal year, after taking into consideration the following:-

(i) the historical occupancy rate of the Tune Hotel Penang
<table><tr><th>Year</th><th>Occupancy rate of the Tune Hotel Penang (%)</th></tr><tr><td>2014</td><td>68.4</td></tr><tr><td>2015</td><td>61.6</td></tr><tr><td>2016</td><td>49.6</td></tr></table>
(ii) the historical average occupancy rate of the hotels in Penang (source: Tourism Malaysia) of between 63.5% and 65.2% for the years 2011 to 2015
<table><tr><th>Year</th><th>Occupancy rate of the hotels in Penang (%)</th></tr><tr><td>2011</td><td>63.5</td></tr><tr><td>2012</td><td>64.0</td></tr><tr><td>2013</td><td>64.2</td></tr><tr><td>2014</td><td>65.2</td></tr><tr><td>2015</td><td>63.7</td></tr></table>
(iii) the historical average occupancy rate of the hotels located in Georgetown city of between 65% and 70% for the past 5 years based on the valuation report by Henry Butcher Penang

(iv) the expectation of improved tourism industry in Malaysia vis-à-vis the strategic location of the Tune Hotel Penang.</td></tr>
<tr><td>2.</td><td>Projected direct operating expenses in relation to room sales
<table><tr><th>Projection year</th><th>Direct operating expenses as a percentage of room sales (%)</th></tr><tr><td>Year 1 to terminal year</td><td>20.0</td></tr></table></td><td>Fair and reasonable. The projected direct operating expenses as a percentage of room sales is slightly above the average for the years 2014 to 2016 (18.4%).</td></tr>
<tr><td>3.</td><td>Undistributed overhead expenses
<table><tr><th>Projection year</th><th>Undistributed overhead expenses as a percentage of gross operating revenue (%)</th></tr><tr><td>Year 1 to terminal year</td><td>38.4</td></tr></table></td><td>Fair and reasonable. The projected undistributed overhead expenses as a percentage of gross operating revenue is slightly lower than the average for the years 2014 to 2016 (39.0%), after adjustments for one-off items.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>4.</td><td>Fees payable
<table>
<tr><th>Projection year</th><th>Type of fees</th><th>Payee</th><th>Fees payable</th></tr>
<tr><td rowspan="4">Year 1 to terminal year</td><td>Franchise fee</td><td>TH (Brandco)</td><td>4.0% of room sales</td></tr>
<tr><td>Monthly revenue service fee</td><td>TH Management</td><td>Fixed rate of RM30,000 per annum</td></tr>
<tr><td>Advertising and promotion fee</td><td>TH Management</td><td>2.0% of room sales</td></tr>
<tr><td>Hotel management fee</td><td>TH Management</td><td>2.5% of room sales</td></tr>
</table></td><td>Fair and reasonable. The fees payable are projected based on the contractual agreements with TH (Brandco) and TH Management.</td></tr>
<tr><td>5.</td><td>Discount rate and terminal capitalisation rate
<table>
<tr><th>Projection year</th><th>Discount rate (%)</th></tr>
<tr><td>Year 1 to terminal year</td><td>8.0</td></tr>
</table>
The terminal capitalisation rate adopted is 6.5%.</td><td>Fair and reasonable. We noted that in deriving at the discount rate and terminal capitalisation rate, Henry Butcher Penang has considered various factors such as the expected yield for hotel sector vis-à-vis those of office and retail sectors, short-term risks and expectations, and 10-year Malaysian Government bond rate.</td></tr>
</table>

Our commentaries:-

Based on the latest valuation by Henry Butcher Penang, the purchase consideration for the Tune Hotel Penang of RM21.00 million represents a discount of RM0.30 million or 1.41% against the market value of the said hotel of RM21.30 million. Accordingly, we view that the purchase consideration for the proposed acquisition of the Tune Hotel Penang is fair and reasonable.

Tune Hotel KK

Tune Hotel KK is a 4-storey building on a leasehold land *(expiring on 31 December 2103)* within the 1 Borneo development. It is a 1-star rated hotel comprising 163 saleable guestrooms under the name of "Tune Hotel, Kota Kinabalu".

Being an operating hotel, the market value of the Tune Hotel KK is assessed on a going concern basis and the valuation given comprises the value attributed to the real estate components and includes the contribution as a whole from all its other constituent parts such as necessary furniture, fittings and finishes fixed and fitted in the hotel, plant and machinery such as air-conditioning, generators and other supporting facilities for the hotel, complete tele-communications system as fitted and installed, kitchen appliances and utensils, existing work force and management in place, goodwill etc.

In arriving at the opinion on the market value of the Tune Hotel KK, Henry Butcher Sabah has adopted the profit method *(by DCF)* as it is more reflective of the assessment of the subject property based on its existing use as a hotel. This is the preferred valuation method for hotel as an income generating property and reflects the subject property's investment potential. Further descriptions on profit method *(by DCF)* are set out in "Basis and justification of the purchase consideration for the Tune Hotel Penang" above.

Arising from the above and based on the valuation report by Henry Butcher Sabah dated 15 May 2017, the market value of the Tune Hotel KK as at 21 March 2017 is RM9.70 million.

We noted that the other method *(i.e. comparison method)* adopted by Henry Butcher Sabah results in a higher market value of RM11.33 million. In comparing the subject property with similar properties in the locality which were recently sold or are being marketed, due consideration was given to factors such as location, orientation, accessibility, size, shape, age and condition of the building and other relevant characteristics.

Further, based on the update valuation certificate by Henry Butcher Sabah dated 26 September 2017, Henry Butcher Sabah is of the opinion that the market value of the Tune Hotel KK (RM9.70 million) remains unchanged as at 21 September 2017.

We are of the view that the valuation methodologies adopted by Henry Butcher Sabah are appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by Henry Butcher Sabah and find them to be reasonable. As such, we are satisfied with the reasonableness of Henry Butcher Sabah's opinion on the market value of the Tune Hotel KK.

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Summarised below are our commentaries in respect of the key bases and assumptions adopted in the valuation of the Tune Hotel KK by Henry Butcher Sabah:-

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>1.</td><td>Projected room revenue, which is driven by:-

(i) Total number of guestrooms

<table><tr><th>Projection year</th><th>Total number of guestrooms</th></tr><tr><td>Year 1 to terminal year</td><td>163</td></tr></table>
(ii) Average room rate

<table><tr><th>Projection year</th><th>Average room rate (RM)</th></tr><tr><td>Year 1</td><td>78.00</td></tr><tr><td>Year 2</td><td>79.00</td></tr><tr><td>Year 3</td><td>80.00</td></tr><tr><td>Year 4</td><td>81.00</td></tr><tr><td>Year 5</td><td>82.00</td></tr><tr><td>Terminal year</td><td>83.00</td></tr></table></td><td>Fair and reasonable. The hotel is currently operating as a hotel comprising 163 saleable guestrooms (out of the total 165 rooms). The remaining 2 rooms were converted and are being utilised as male and female surau.

Fair and reasonable. Average room rate is the relevant rate to be adopted in view of the various categories of guestrooms and the industry norm whereby actual room rate (i.e. ‘Published Rate’ or ‘Listed Rate’ or ‘Rack Rate’) is usually not attainable in the context of sales throughout the year.

The room rate fluctuates based on daily demand and availability of rooms, where early bookings are rewarded with low prices. Further, various discounts are normally offered such as corporate discounts, discounts in kind such as complimentary breakfasts, discounts for airlines’ long-term en bloc reservation as well as special rates for travel agencies and tour group based on the contractual agreements.

The historical average room rate (including revenue from add-on amenities) of the Tune Hotel KK is as follows:-

<table><tr><th>Year</th><th>Average room rate (RM)</th></tr><tr><td>2014</td><td>70.18</td></tr><tr><td>2015</td><td>73.49</td></tr><tr><td>2016</td><td>77.15</td></tr></table>
When compared with 2016, the average room rate of RM78.00 projected for Year 1 is achievable with the inclusion of additional amenities (such as air-conditioning, television, towels, toiletries and wireless broadband internet access, all of which were previously optional add-on amenities) in the standard guestroom package of the hotel effective from January 2017. Further, we noted that:-

(i) the average room rate of RM78.00 projected for Year 1 is relatively low as compared to the range of room rates published online (as set out in the valuation report) for a typical standard room offered by comparable hotels located within the district of Kota Kinabalu; and

(ii) Henry Butcher Sabah has thereafter adopted a modest annual increase of RM1.00 for the average room rate of the subsequent years.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td></td><td>(iii) Occupancy rate
<table><tr><th>Projection year</th><th>Occupancy rate (%)</th></tr><tr><td>Year 1</td><td>48.0</td></tr><tr><td>Year 2</td><td>50.0</td></tr><tr><td>Year 3</td><td>55.0</td></tr><tr><td>Year 4</td><td>58.0</td></tr><tr><td>Year 5</td><td>60.0</td></tr><tr><td>Terminal year</td><td>62.0</td></tr></table></td><td>Fair and reasonable. The occupancy rate is expected to increase over time from 48% to achieve 62% in the terminal year, after taking into consideration the following:-
(i) the historical occupancy rate of the Tune Hotel KK
<table><tr><th>Year</th><th>Occupancy rate of the Tune Hotel KK (%)</th></tr><tr><td>2014</td><td>53.8</td></tr><tr><td>2015</td><td>46.7</td></tr><tr><td>2016</td><td>46.2</td></tr></table>(ii) the historical average occupancy rate of the hotels in Sabah (source: Tourism Malaysia) which grows from 60.8% in 2012 to 64.2% in 2015
<table><tr><th>Year</th><th>Occupancy rate of the hotels in Sabah (%)</th></tr><tr><td>2012</td><td>60.8</td></tr><tr><td>2013</td><td>62.2</td></tr><tr><td>2014</td><td>63.8</td></tr><tr><td>2015</td><td>64.2</td></tr></table>(iii) the average occupancy rate of the hotels in and around the Kota Kinabalu city which generally ranges between 65% and 70% based on the valuation report by Henry Butcher Sabah
(iv) the positive outlook for the tourism market in Sabah</td></tr>
<tr><td>2.</td><td>Projected direct operating expenses in relation to room sales
<table><tr><th>Projection year</th><th>Direct operating expenses as a percentage of room sales (%)</th></tr><tr><td>Year 1 to terminal year</td><td>14.0</td></tr></table></td><td>Fair and reasonable. The projected direct operating expenses as a percentage of room sales is slightly above the average for the years 2014 to 2016 (13.5%).</td></tr>
</table>

<table>
<tr><th>No.</th><th>Key bases and assumptions</th><th>Our commentaries</th></tr>
<tr><td>3.</td><td>Undistributed overhead expenses
<table><tr><th>Projection year</th><th>Undistributed overhead expenses as a percentage of gross operating revenue (%)</th></tr><tr><td>Year 1 to Year 3</td><td>41.2</td></tr><tr><td>Year 4 to terminal year</td><td>42.2</td></tr></table></td><td>Fair and reasonable. The projected undistributed overhead expenses as a percentage of gross operating revenue approximate the average for the years 2014 to 2016 (41.3%).</td></tr>
<tr><td>4.</td><td>Fees payable
<table><tr><th>Projection year</th><th>Type of fees</th><th>Payee</th><th>Fees payable</th></tr><tr><td rowspan="4">Year 1 to terminal year</td><td>Franchise fee</td><td>TH (Brandco)</td><td>4.0% of room sales</td></tr><tr><td>Monthly revenue service fee</td><td>TH Management</td><td>Fixed rate of RM30,000 per annum</td></tr><tr><td>Advertising and promotion fee</td><td>TH Management</td><td>2.0% of room sales</td></tr><tr><td>Hotel management and incentive fee</td><td>TH Management</td><td>2.5% of room sales</td></tr></table></td><td>Fair and reasonable. The fees payable are projected based on the contractual agreements with TH (Brandco) and TH Management.</td></tr>
<tr><td>5.</td><td>Discount rate and terminal capitalisation rate
<table><tr><th>Projection year</th><th>Discount rate (%)</th></tr><tr><td>Year 1 to terminal year</td><td>8.0</td></tr></table>
The terminal capitalisation rate adopted is 6.5%.</td><td>Fair and reasonable. We noted that in deriving at the discount rate and terminal capitalisation rate, Henry Butcher Sabah has considered various factors such as short-term risks and resilience of the hotel business, returns on alternative investments such as Malaysian Government Securities, AAA rated investments, bank deposit and lending rates, as well as yields derived from historical market transactions.</td></tr>
</table>

Our commentaries:-

Based on the latest valuation by Henry Butcher Sabah, the purchase consideration for the Tune Hotel KK of RM9.00 million represents a discount of RM0.70 million or 7.22% against the market value of the said hotel of RM9.70 million. Accordingly, we view that the purchase consideration for the proposed acquisition of the Tune Hotel KK is fair and reasonable.

Rights to operate and maintain the Tune Hotel KLIA Aeropolis

The KLIA Aeropolis Concession Agreement grants the rights to operate and maintain the Tune Hotel KLIA Aeropolis until the expiry on 11 February 2034. Tune Hotel KLIA Aeropolis is a 5-storey building operated as a limited-service hotel comprising 218 guestrooms under the name of "Tune Hotel KLIA Aeropolis".

Given the nature of the relatively predictable and constant stream of cash flows derived from the limited-service hotel business *(which is mainly derived from room sales based on the projected occupancy and average room rates)*, the future cash flows to be derived from the rights to operate and maintain the Tune Hotel KLIA Aeropolis can be estimated.

In view of the above, we view that the DCF valuation model *(which is adopted as our sole valuation method)* is the most appropriate method to appraise the valuation of the rights to operate and maintain the Tune Hotel KLIA Aeropolis as this method is able to effectively factor in the earnings and cash flows potential of the Tune Hotel KLIA Aeropolis as well as the timing of such cash flows to be generated. Further descriptions on DCF valuation model are set out in "Basis and justification of the purchase consideration for TPSB" above.

We have reviewed the future financial information of the Tune Hotel KLIA Aeropolis until 2034, being the expiry of the KLIA Aeropolis Concession Agreement period ("**KLIA Aeropolis Future Financials**"), which was prepared by the management of THSB and reviewed by the Board. Such KLIA Aeropolis Future Financials have been prepared based on various key bases and assumptions and have not been reviewed by the auditors, consultant accountants or other financial advisers.

We have considered and evaluated the key bases and assumptions adopted in the KLIA Aeropolis Future Financials and are satisfied that the key bases and assumptions used in the preparation of the KLIA Aeropolis Future Financials are reasonable and appropriate given the prevailing circumstances and significant factors that are known as at the LPD *(including current economic, market and other conditions as well as any material development surrounding the Tune Hotel KLIA Aeropolis and the tourism and hospitality industry in Malaysia)*.

The key bases and assumptions adopted in the preparation of the KLIA Aeropolis Future Financials are as follows:-

(i) Tune Hotel KLIA Aeropolis is expected to sustain its operations until the expiry of the KLIA Aeropolis Concession Agreement period on 11 February 2034 without any extension.

    It is assumed that the KLIA Aeropolis Concession Agreement will continue to be in effect until its expiry and will not be terminated by MAP *(which has such exclusive discretion)*;

(ii) the 218-room limited-service hotel will operate at an average occupancy rate of approximately 60% during the KLIA Aeropolis Concession Agreement period;

(iii) there will not be any significant or material disruptions or interruptions to the hotel operations *(whether due to acts of God, fire or other unforeseen circumstances)*. All insurable risks are and will continue to be appropriately covered by relevant insurance policies and the sums insured are adequate;

(iv) there will not be any significant or material changes in the average room rates and operating expenses of the Tune Hotel KLIA Aeropolis save for inflationary increases;

(v) there will not be any significant or material capital expenditure to be incurred, save for those to be incurred to maintain the Tune Hotel KLIA Aeropolis in a tenantable condition;

(vi) there will not be any significant or material changes to the agreements, approvals, licenses, permits and regulations governing the business activities of the Tune Hotel KLIA Aeropolis.

(vii) there will not be any significant or material changes in the principal activities of the Tune Hotel KLIA Aeropolis;

(viii) the current accounting policies adopted for the preparation of financial statements of the Tune Hotel KLIA Aeropolis will remain relevant and there will not be any significant changes in the said accounting policies which have material impact on the financial performance and financial position of the Tune Hotel KLIA Aeropolis; and

(ix) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the tourism and hospitality industry in Malaysia.

In order to derive the fair value of the rights to operate and maintain the Tune Hotel KLIA Aeropolis, we have discounted the FCFE projected to be generated from the hotel business at an appropriate cost of equity to reflect the rate of return required by the hotel owner / operator.

We have used the same key bases and assumptions as those adopted in the valuation of TPSB above *(save for a lower beta (0.799) and the resulting cost of equity (10.75% to 11.69%) as the operations of the Tune Hotel KLIA Aeropolis do not utilise any debt financing)*.

Resulting from the above, we have derived at a fair value ranging from approximately RM1.68 million to RM1.77 million for the rights to operate and maintain the Tune Hotel KLIA Aeropolis.

<u>Our commentaries:-</u>

Based on our valuation using the DCF valuation model, the purchase consideration for the rights to operate and maintain the Tune Hotel KLIA Aeropolis of RM0.93 million represents a discount of between RM0.75 million and RM0.84 million or 44.64% and 47.46% against the abovementioned range of fair values.

Accordingly, we view that the purchase consideration for the proposed acquisition of the rights to operate and maintain the Tune Hotel KLIA Aeropolis is fair and reasonable.

(iii) Proposed Disposals

East Wing and Centre Wing of Bangunan ECM Libra

We noted the basis and justification of the disposal consideration for the East Wing and Centre Wing of Bangunan ECM Libra in Section 9.1, Part A of the Circular. We are of the opinion that the factors considered by ECMLFG in arriving at the said disposal consideration are appropriate. In evaluating the said disposal consideration, we have reviewed the valuation conducted by Henry Butcher for the said subject property.

Bangunan ECM Libra is a 3½-storey office building *(comprising East Wing, Centre Wing and West Wing)* with 1 level of sub-basement and 3 levels of basement car parks, all on a freehold land along Jalan Damansara Endah. The West Wing of Bangunan ECM Libra and car parks were sold in 2007 to the ECM Libra Foundation, a charitable organisation. The East Wing and Centre Wing of Bangunan ECM Libra are occupied by the ECMLFG Group *(approximately 24%)*, tenanted by third parties *(approximately 70%)* and the remainder is vacant *(approximately 6%)*.

In arriving at the opinion on the market value of the East Wing and Centre Wing of Bangunan ECM Libra, the market value of Bangunan ECM Libra is first ascertained and thereafter, the value is apportioned to the East Wing and Centre Wing of Bangunan ECM Libra. The main method adopted by Henry Butcher is the comparison approach.

The comparison approach entails the comparison of Bangunan ECM Libra with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. In the selection of and making comparison to the comparable properties, due consideration was given to factors such as location, size, building condition, tenure, time and other relevant factors to arrive at the opinion of value.

Arising from the above and based on the valuation report by Henry Butcher dated 25 May 2017, the market value of the East Wing and Centre Wing of Bangunan ECM Libra as at 6 April 2017 is RM23.00 million, being a portion of the market value of Bangunan ECM Libra *(excluding car parks)* of RM51.10 million and after adjusting for the following factors:-

(i) a -5% downward adjustment for the responsibility of the purchaser at its own cost and expenses to procure the subdivision of the building and the issuance of separate strata title for the respective wings of the building; and

(ii) a -2.5% downward adjustment for the sale of subject property without car parks as compared to the West Wing of Bangunan ECM Libra as buildings with car parks will be more desirable than one without car parks.

We noted that Henry Butcher has also adopted the investment method to derive the market value of Bangunan ECM Libra *(without car parks)*. However, the market value derived from the investment method appears to be on the lower side for an office building in this Damansara location and therefore, Henry Butcher opines that it does not reflect accurately the market value of the building.

Under the investment method *(for which the comparison method was adopted in formulating the market value)*, the capital value of Bangunan ECM Libra is derived from an estimate of the market rental which it can reasonably be let for. Rental evidence may be obtained from actual passing rents commanded by the building itself, if it is tenanted. Outgoings *(such as assessments and quit rent, repair and maintenance, insurance and management fees)* are then deducted from the annual rental income. The net annual rental income is then capitalised at an appropriate capitalisation rate to arrive at the indicative capital value of the building.

Further, based on the update valuation certificate by Henry Butcher dated 15 September 2017, Henry Butcher is of the opinion that the market value of the East Wing and Centre Wing of Bangunan ECM Libra (RM23.00 million) remains unchanged as at 15 September 2017.

We are of the view that the valuation methodologies adopted by Henry Butcher are appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by Henry Butcher and find them to be reasonable. As such, we are satisfied with the reasonableness of Henry Butcher's opinion on the market value of the East Wing and Centre Wing of Bangunan ECM Libra.

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Summarised below are the comparable sales evidences as well as the key bases and assumptions made in the valuation of Bangunan ECM Libra by Henry Butcher:-

	Bangunan ECM Libra	**Menara Prudential (Comparable 1)**		**Dijaya Plaza (Comparable 2)**		**Bangunan Shell Malaysia (Comparable 3)**	
Property type	A 3½-storey office building with 278 car parking bays	A 32-storey office building with 201 car parking bays		A 19-storey office building with 322 car parking bays		A 12-storey office building with 337 car parking bays	
Location	Jalan Damansara Endah, Damansara Heights	Jalan Sultan Ismail		Jalan Tun Razak		Off Jalan Semantan, Jalan Dungun, Bukit Damansara	
Tenure	Freehold	Freehold		Freehold		Freehold	
Age	Approximately 19 years[(1)]	Approximately 17 years		Approximately 5 years		Approximately 19 years	
Transaction date		22.09.2016		28.01.2016		15.05.2014	
Consideration (RM)		125,000,000		140,000,000		138,000,000	
Net lettable area	81,754 sq ft	153,716 sq ft		156,488 sq ft		212,867 sq ft	
Estimated car park value per bay (RM)		60,000		60,000		35,000	
Total estimated car park value (RM)		12,060,000		19,320,000		11,795,000	
Consideration without car park (RM)		112,940,000		120,680,000		126,205,000	
Adjusted value (without car park) (RM per sq ft)		735		771		593	
Time adjustment		Transacted in 2016	0%	Transacted in 2016	0%	Transacted in 2014	5%
Land value (RM per sq ft)		735		771		623	
Adjustment factors:-							
(i) Location		Located in Kuala Lumpur City Centre with better locality and infrastructure	-10%	Located in Kuala Lumpur City Centre with better locality and infrastructure	-10%	Located in the similar neighbourhood	0%
(ii) Building condition		Newer than subject property	-5%	Newer than subject property	-10%	Newer than subject property	-5%
(iii) Tenure		Similarly freehold	0%	Similarly freehold	0%	Similarly freehold	0%
(iv) Size		Bigger than subject property	5%	Bigger than subject property	5%	Bigger than subject property	5%
Total adjustments			-10%		-15%		0%
Adjusted land value (RM per sq ft)		661		656		623	
Adopted value (RM per sq ft)	**RM625 *(Comparable 3 is the nearest to Bangunan ECM Libra)***						

sqm denotes square metres while sq ft denotes square feet

Note:-
(1) 19 years from the date of issuance of the first Certificate of Fitness for Occupation

Our commentaries:-

Based on the latest valuation by Henry Butcher, the disposal consideration for the East Wing and Centre Wing of Bangunan ECM Libra of RM24.00 million represents a premium of RM1.00 million or 4.35% against the market value of RM23.00 million. Accordingly, we view that the disposal consideration for the Proposed Bangunan ECM Libra Disposal is fair and reasonable.

Semi-D Property

We noted the basis and justification of the disposal consideration for the Semi-D Property in Section 9.2, Part A of the Circular. We are of the opinion that the factors considered by ECMLFG in arriving at the said disposal consideration are appropriate. In evaluating the said disposal consideration, we have reviewed the valuation conducted by Henry Butcher for the Semi-D Property.

The Semi-D Property is a double-storey semi-detached house on a freehold land along Persiaran Damansara Endah and is currently vacant. In arriving at the opinion on the market value of the Semi-D Property, Henry Butcher has adopted only 1 method of valuation i.e. comparison approach in view that the subject property is a residential semi-detached house with sufficient sale comparables to justify the opinion of value.

Under the comparison approach, the subject property is compared with similar properties that were either transacted recently or listed for sale within the same location or other comparable localities. The estimated depreciated building values are deducted from the comparables to arrive at the estimated land value of the comparables. In comparing properties, due consideration was given to factors such as location, tenure, size, time and other relevant factors to arrive at the opinion on the land value of the subject property. The depreciated building value of the subject property is then added to the estimated land value to arrive at the estimated market value of the subject property.

Arising from the above and based on the valuation report by Henry Butcher dated 25 May 2017, the market value of the Semi-D Property as at 6 April 2017 is RM4.00 million.

Further, based on the update valuation certificate by Henry Butcher dated 20 September 2017, Henry Butcher is of the opinion that the market value of the Semi-D Property (RM4.00 million) remains unchanged as at 18 September 2017.

We are of the view that the valuation methodology adopted by Henry Butcher is appropriate and consistent with generally applied valuation methodologies. We have reviewed the key bases and assumptions adopted by Henry Butcher and find them to be reasonable. As such, we are satisfied with the reasonableness of Henry Butcher's opinion on the market value of the Semi-D Property.

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Summarised below are the comparable sales evidences as well as the key bases and assumptions made in the valuation of the Semi-D Property by Henry Butcher:-

	Semi-D Property	Comparable 1		Comparable 2		Comparable 3	
Property type	Double-storey semi-detached house	Double-storey semi-detached house		Double-storey semi-detached house		Double-storey semi-detached house	
Location	No. 9, Persiaran Damansara Endah, 50490 Kuala Lumpur	No. 6, Jalan Setiabakti 8, Damansara Heights		No. 3, Lorong Setiabistari 4, Damansara Heights		No. 28, Jalan Setiamurni 1, Damansara Heights	
Tenure	Freehold	Freehold		Freehold		Freehold	
Transaction date		05.05.2016		19.04.2016		04.04.2016	
Transaction price (RM)		3,050,000		3,000,000		4,100,000	
Land area	577.002 sqm *(about 6,211 sq ft)*	395 sqm *(about 4,252 sq ft)*		362 sqm *(about 3,897 sq ft)*		605 sqm *(about 6,512 sq ft)*	
Build-up area	About 206.71 sqm *(2,225 sq ft)*	About 189.62 sqm *(2,041.05 sq ft)*		About 237.65 sqm *(2,558.04 sq ft)*		About 261.62 sqm *(2,816.05 sq ft)*	
Building cost (RM per sq ft)	180.00 adopted, being the low range of the cost for a new semi-detached house as the design is quite basic	200.00		200.00		180.00	
Depreciation	40.00%	10.00%		5.00%		30.00%	
Estimated building cost (RM)		367,389		486,028		354,822	
Base value (RM per sq ft)		630.94		645.18		575.11	
Time adjustment		Transacted about 1 year ago	5%	Transacted about 1 year ago	5%	Transacted about 1 year ago	5%
Land value (RM per sq ft)		662.49		677.44		603.86	
<u>Adjustment factors:-</u>							
(i) Location		Located nearby subject property	0%	Located nearby subject property	0%	Located nearby subject property	0%
(ii) Land area		Smaller than subject property	-5%	Smaller than subject property	-5%	Similar to subject property	0%
Total adjustments			-5%		-5%		0%
Adjusted land value (RM per sq ft)		629.37		643.57		603.86	
Adopted value (RM per sq ft)	**RM605.00** ***(Comparable 3 has similar land area)***						

sqm denotes square metres while sq ft denotes square feet

<u>Our commentaries:-</u>

Based on the latest valuation by Henry Butcher, the disposal consideration for the Semi-D Property of RM4.00 million is equivalent to the market value of the said property of RM4.00 million. Accordingly, we view that the disposal consideration for the Proposed Semi-D Disposal is fair and reasonable.

Evaluation of the Issue Price

The basis and justification of the Issue Price are set out in Section 5.1, Part A of the Circular. The Issue Price was determined based on the targeted consolidated NA of ECMLFG of approximately RM103.2 million after the Proposed Disposals and the Proposed Special Dividend but before the Proposed Acquisitions. Additionally, in arriving at the targeted level of consolidated NA, the Board has taken cognisance of the ECMLFG Group’s level of operations, cash, business prospects, investment plans as well as current and expected obligations.

The Issue Price represents a premium of approximately 55.7% to the theoretical ex-dividend price of RM0.2312 per Share, which was arrived at after taking into consideration the following:-

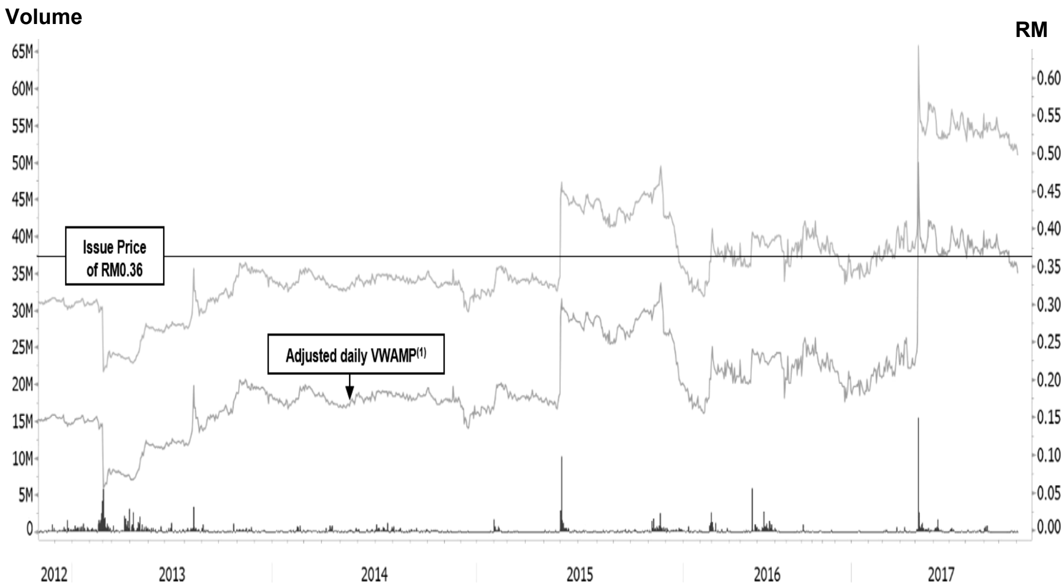
(i) 5-day volume weighted average market price (“**VWAMP**”) of the Shares up to 3 May 2017 of RM0.3862, being the date immediately preceding the date of the TPRE SPA and the Tune Hotel Penang SPA; and

(ii) an illustrative special cash dividend of RM0.155 per Share under the Proposed Special Dividend (“**Illustrative Special Dividend Amount**”), based on the audited NA per Share of RM0.50 as at 31 December 2016 and after taking into consideration the expected gain on disposal of RM3.3 million from the Proposed Disposals.

In evaluating the Issue Price of the Consideration Shares, we have considered the following:-

(i) <u>Historical daily VWAMP of the Shares</u>

The graph below sets out the historical daily VWAMP of the Shares *(extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period)* for the past 5 years up to the LPD:-



(Source: Bloomberg)

Note:-

(1) After deducting the Illustrative Special Dividend Amount of RM0.155 per Share.

Based on the graph above, we noted the following:-

(a) the Issue Price is **<u>higher than</u>** the adjusted daily VWAMP of the Shares for all market days prior to the announcement of the Proposals, representing approximately 90% of the total market days over the past 5 years up to the LPD; and

(b) the Issue Price represents a **<u>premium</u>** of 68.15% to the adjusted VWAMP of the Shares over the past 5 years up to the LPD of RM0.2141.

(ii) Premium over closing market prices and VWAMP

The Issue Price of RM0.36 represents a premium to the following closing market prices and VWAMP of the Shares *(extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period)*:-

	Closing market prices / VWAMP	**Adjusted closing market prices / VWAMP(1)**	**Premium of the Issue Price over the historical closing market prices / VWAMP of the Shares**	
	(RM)	**(RM)**	**(RM)**	**(%)**
Up to the LTD (3 May 2017):-				
Closing market price	0.3950	0.2400	0.1200	50.00
5-day VWAMP	0.3862	0.2312	0.1288	55.71
1-month VWAMP	0.3926	0.2376	0.1224	51.52
3-month VWAMP	0.3866	0.2316	0.1284	55.44
6-month VWAMP	0.3785	0.2235	0.1365	61.07
1-year VWAMP	0.3845	0.2295	0.1305	56.86
Up to the LPD (2 November 2017):-				
Closing market price	0.4900	0.3350	0.0250	7.46
5-day VWAMP	0.5063	0.3513	0.0087	2.48

(Source: Bloomberg)

<u>Note:-</u>
(1) After deducting the Illustrative Special Dividend Amount of RM0.155 per Share.

Based on the table above, we noted that the Issue Price represents a premium of:-

(a) 50.00% over the adjusted closing market price of the Shares on the LTD;

(b) between 51.52% and 61.07% over the adjusted 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of the Shares up to the LTD;

(c) 7.46% over the adjusted closing market price of the Shares on the LPD; and

(d) 2.48% over the adjusted 5-day VWAMP of the Shares up to the LPD.

It should be noted that the market prices of the Shares *(after deducting the Illustrative Special Dividend Amount of RM0.155 per Share)* had been below the Issue Price of the Consideration Shares prior to the announcement of the Proposals on 4 May 2017 as well as on the LPD.

(iii) Monthly highest and lowest traded market prices

The monthly highest and lowest traded market prices of the Shares for the past 12 months from November 2016 to October 2017, being the last full trading month prior to the LPD, are as follows:-

	High (RM)	Low (RM)	Adjusted High[(1)] (RM)	Adjusted Low[(1)] (RM)
2016				
November	0.400	0.365	0.245	0.210
December	0.380	0.320	0.225	0.165
2017				
January	0.360	0.325	0.205	0.170
February	0.390	0.340	0.235	0.185
March	0.410	0.355	0.255	0.200
April	0.410	0.370	0.255	0.215
May	0.705	0.375	0.550	0.220
June	0.565	0.515	0.410	0.360
July	0.570	0.520	0.415	0.365
August	0.555	0.510	0.400	0.355
September	0.550	0.520	0.395	0.365
October	0.535	0.500	0.380	0.345

(Source: Bloomberg)

Note:-
(1) After deducting the Illustrative Special Dividend Amount of RM0.155 per Share.

(iv) Consolidated NA per Share

The Consideration Shares will be issued based on the targeted consolidated NA of ECMLFG of approximately RM103.2 million after the Proposed Disposals and the Proposed Special Dividend but before the Proposed Acquisitions, which translates to a NA per Share of RM0.36 as follows:-

	Consolidated NA (RM'000)	No. of Shares ('000)	NA per Share (RM)
Audited as at 31 December 2016	144,309	286,592	0.5035
After the Proposed Disposals	147,635	286,592	0.5151
After the Proposed Special Dividend	103,174	286,592	0.3600

Our commentaries:-

We are of the view that the Issue Price is fair and reasonable, after taking into consideration the following factors:-

(i) the Issue Price was determined based on the targeted consolidated NA of ECMLFG of approximately RM103.2 million or RM0.36 per Share after the Proposed Disposals and the Proposed Special Dividend but before the Proposed Acquisitions;

(ii) the Issue Price is higher than the adjusted daily VWAMP of the Shares for all market days prior to the announcement of the Proposals, representing approximately 90% of the total market days over the past 5 years up to the LPD; and

(iii) the Issue Price represents a premium of more than 50.00% over the adjusted 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of the Shares up to the LTD.

Benefits and advantages of settlement via the issuance of Consideration Shares

The Proposed Acquisitions are significant to the Group in view that the aggregated purchase consideration of RM88.60 million is about 78% of the market capitalisation of ECMLFG (RM113.20 million) as at the LTD.

Therefore, the partial satisfaction of the purchase consideration via the issuance of Consideration Shares allows ECMLFG to:-

(i) conserve cash reserves which stood at RM22.02 million as at 31 December 2016; and

(ii) strengthen its capital base whereby the issuance of Consideration Shares will result in an increase in consolidated NA by RM69.60 million.

In addition, the issuance of Consideration Shares provides an opportunity to the vendors to participate in the potential future growth of the Group as its shareholders, having common interest to contribute towards the improvement of the Group's financial performance. This allows ECMLFG to leverage on the vendors' experience and expertise in managing the hotels.

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5.3 Salient terms of the sale and purchase agreements for the Proposed Acquisitions, shareholders agreements, unitholders deed, Collaboration Agreement and sale and purchase agreements for the Proposed Disposals

Our commentaries on the salient terms of the various agreements *(including any variation pursuant to all the supplemental letters to the agreements)* are as follows:-

(i) Salient terms of the sale and purchase agreements for the Proposed Acquisitions

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
Purchase consideration and manner of payment	RM57,674,000, via the allotment and issuance of the TPRE Consideration Shares to the shareholders of THCL and in accordance with the Proposed TPRE Plan of Arrangement.	RM21,000,000, in the following manner:- (i) a cash deposit of RM2,100,000 *(representing 10% of the purchase consideration)* to the ECMLFG's solicitors upon execution of the Tune Hotel Penang SPA as follows:- (a) RM630,000 to be retained by the ECMLFG's solicitors for payment of RPGT payable by THSB on the disposal of the property; and (b) RM1,470,000, which the ECMLFG's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotel Penang SPA is fulfilled; and (ii) balance of RM18,900,000 on completion as follows:- (a) RM11,926,000, via the allotment and issuance of the Tune Hotel Penang Consideration Shares to the shareholders of THCL *(as directed by THCL, who in turn is nominated by THSB to receive the Tune Hotel Penang Consideration Shares in accordance with the Proposed Tune Hotel Penang Plan of Arrangement)*; and (b) RM6,974,000 in cash.	RM9,000,000, entirely in cash in the following manner:- (i) deposit of RM900,000 *(representing 10% of the purchase consideration)* to the ECMLFG's solicitors upon execution of the Tune Hotel KK SPA as follows:- (a) RM270,000 to be retained by the ECMLFG's solicitors for payment of RPGT payable by THSB on the disposal of the property; and (b) RM630,000, which the ECMLFG's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotel KK SPA is fulfilled; and (ii) balance of RM8,100,000 on completion.	RM926,000, entirely in cash in the following manner:- (i) deposit of RM92,600 *(representing 10% of the purchase consideration)* to the ECMLFG's solicitors upon execution of the Tune Hotel KLIA Aeropolis SPA as follows:- (a) RM27,780 to be retained by the ECMLFG's solicitors for payment of RPGT payable by THSB on the disposal of the property; and (b) RM64,820, which the ECMLFG's solicitors are authorised to release to THSB within 5 business days from the date the last condition precedent of the Tune Hotel KLIA Aeropolis SPA is fulfilled; and (ii) balance of RM833,400 on completion.
Our commentaries	**Fair and reasonable.** Please refer to Section 5.2 above for our evaluation on the purchase consideration for the Proposed Acquisitions and the Issue Price of the Consideration Shares. In addition, the partial satisfaction of purchase consideration for the Proposed Acquisitions via the issuance of Consideration Shares has its advantages as set out in Section 5.2 above.			

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
Conditions precedent	The Proposed Acquisitions from TPRE is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the TPRE SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by TPRE and ECMLFG in writing:- (i) THCL obtaining the order from the High Court of Labuan approving the Proposed TPRE Plan of Arrangement; (ii) TPRE obtaining the approval of its shareholders at an EGM to be convened, which has been obtained on 4 May 2017; (iii) THCL obtaining the approval of its shareholders for the disposals under the terms and conditions of the TPRE SPA, which has been obtained on 23 October 2017; (iv) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (v) the Company obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the TPRE Consideration Shares on the Main Market of Bursa Securities, which has been obtained on 20 November 2017; (vi) the completion of a due diligence exercise based on such scope as ECMLFG may deem fit and ECMLFG being satisfied with the results thereof; (vii) if required, TPRE obtaining the written consents from the existing financier of TPRE, TPSB, TP Flinders, TP International and YKSB; and	The Tune Hotel Penang SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel Penang SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and ECMLFG in writing:- (i) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (ii) the Company obtaining the approval-in-principle of Bursa Securities for the listing of and quotation for the Tune Hotel Penang Consideration Shares on the Main Market of Bursa Securities, which has been obtained on 20 November 2017; (iii) THSB having obtained (i) the consent from the existing chargee ("**Penang Existing Chargee**") in a form satisfactory to ECMLFG for the disposal and the release of Tune Hotel Penang from all securities created over Tune Hotel Penang by THSB in favour of the Penang Existing Chargee, and (ii) the following documents:- (a) the original issue document of title in respect of the Tune Hotel Penang; (b) the duly executed, valid and registrable *(but unstamped)* instrument of discharge of the existing charge with the Penang Existing Chargee; (c) the registered duplicate of the existing charge with the Penang Existing Chargee; and	The Tune Hotel KK SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel KK SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and ECMLFG in writing:- (i) the Company having obtained all the necessary written confirmation including but not limited to confirmation on the particulars of the property and THSB's ownership of property from the liquidator of the developer and consent from the same liquidator to purchase the property; (ii) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (iii) THSB having obtained (i) the consent from the existing assignee ("**KK Existing Assignee**") in a form satisfactory to ECMLFG for the disposal and the release of the property and the initial sale and purchase agreements dated 22 May 2007 signed by THSB and the developer ("**KK Principal SPA**") from all securities created over the property and the KK Principal SPA by THSB in favour of the KK Existing Assignee, and (ii) the following documents:- (a) the existing assignment with the KK Existing Assignee; (b) the KK Principal SPA; (c) the duly stamped deed of receipt and reassignment for the reassignment of the existing assignment from the KK Existing Assignee; and	The Tune Hotel KLIA Aeropolis SPA is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Tune Hotel KLIA Aeropolis SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed by THSB and ECMLFG in writing:- (i) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (ii) THSB having obtained (i) the consent from the existing assignee ("**KLIA Aeropolis Existing Assignee**") having an assignment over the Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement in a form satisfactory to ECMLFG for the disposal and the release of Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement from all securities created over Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement by THSB in favour of the KLIA Aeropolis Existing Assignee, and (ii) the following documents:- (a) the KLIA Aeropolis Concession Agreement; and (b) all other security documents and other documents required from the KLIA Aeropolis Existing Assignee to release of all other securities created over Tune Hotel KLIA Aeropolis and the KLIA Aeropolis Concession Agreement; (iii) the TPRE SPA being unconditional;

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
	(viii) any other regulatory, governmental or other approvals and consents, if required.	(d) all other security documents and other documents required from the Penang Existing Chargee to discharge the existing charge or the registration and to release of all other securities created over Tune Hotel Penang; (iv) the TPRE SPA being unconditional; (v) THCL obtaining the order from the High Court of Labuan approving the Proposed Tune Hotel Penang Plan of Arrangement; (vi) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017; (vii) the completion of a due diligence exercise based on such scope as ECMLFG may deem fit and ECMLFG being satisfied with the results thereof; and (viii) any other regulatory, governmental or other approvals and consents, if required.	(d) all other security documents and other documents required from the KK Existing Assignee to reassign the existing assignment and to release of all other securities created over the property and the KK Principal SPA; (iv) the TPRE SPA being unconditional; (v) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017; (vi) the completion of a due diligence exercise based on such scope as ECMLFG may deem fit and ECMLFG being satisfied with the results thereof; and (vii) any other regulatory, governmental or other approvals and consents, if required.	(iv) THSB having obtained the approval of MAP for the assignment and novation of the KLIA Aeropolis Concession Agreement and the novation agreement duly executed by MAP; (v) THSB having obtained the approval of the shareholders of THCL, which has been obtained on 23 October 2017; (vi) the completion of a due diligence exercise based on such scope as ECMLFG may deem fit and ECMLFG being satisfied with the results thereof; and (vii) any other regulatory, governmental or other approvals and consents, if required.
Our commentaries	**Fair and reasonable.** The conditions precedent above represent necessary approvals / procedures required to facilitate the completion of the Proposed Acquisitions. As at the LPD, save as disclosed above, all other conditions precedent have not been satisfied.			

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
Interdependence	The TPRE SPA is interdependent with the Semi-D Disposal SPA and Bangunan ECM Libra Disposal SPA and subject to the completion of the Proposed Special Dividend and if for any reason any of the Semi-D Disposal SPA or Bangunan ECM Libra Disposal SPA are not executed or if executed are rescinded or terminated or the Proposed Special Dividend cannot be undertaken or completed prior to the completion of the TPRE SPA, the TPRE SPA will by reason of such non-execution, rescission or termination be rescinded or terminated.	The Tune Hotel Penang SPA is dependent upon the TPRE SPA but not *vice versa* and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel Penang SPA, the Tune Hotel Penang SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.	The Tune Hotel KK SPA is dependent upon the TPRE SPA but not *vice versa* and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel KK SPA, the Tune Hotel KK SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.	The Tune Hotel KLIA Aeropolis SPA is dependent upon the TPRE SPA but not *vice versa* and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel KLIA Aeropolis SPA, the Tune Hotel KLIA Aeropolis SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.
Our commentaries	**Fair and reasonable.** As set out in Section 16, Part A of the Circular, the Proposed Acquisitions are conditional upon the Proposed Disposals and the Proposed Special Dividend.	**Fair and reasonable.** As set out in Section 16, Part A of the Circular, the Proposed Tune Hotels Acquisitions are conditional upon the Proposed Acquisitions from TPRE but not *vice versa*.		
Termination	On the occurrence of any of the following events:- (i) any one of the parties ("**Defaulting Party**") breaches any of the material or fundamental term or condition of the TPRE SPA *(including a breach of warranties)* or if the Defaulting Party fails to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the TPRE SPA; (ii) a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party; (iii) the Defaulting Party commits any act of bankruptcy or is declared a bankrupt or becomes unable to pay its debts when they are due; or	**<u>ECMLFG's default</u>** In the event that:- (i) ECMLFG shall default, fail, neglect or refuse to allot the Tune Hotel Penang Consideration Shares and/or pay the cash portion of the balance consideration in accordance with the provisions of the Tune Hotel Penang SPA; (ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel Penang SPA shall be found at any time to have been untrue or incorrect; or (iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed, then THSB shall be entitled to terminate the Tune Hotel Penang SPA. On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.	**<u>ECMLFG's default</u>** In the event that:- (i) ECMLFG shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Tune Hotel KK SPA; (ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel KK SPA shall be found at any time to have been untrue or incorrect; or (iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed, then THSB shall be entitled to terminate the Tune Hotel KK SPA. On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.	**<u>ECMLFG's default</u>** In the event that:- (i) ECMLFG shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Tune Hotel KLIA Aeropolis SPA; (ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel KLIA Aeropolis SPA shall be found at any time to have been untrue or incorrect; or (iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed, then THSB shall be entitled to terminate the Tune Hotel KLIA Aeropolis SPA. On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
	(iv) the Defaulting Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them, then the other party (“**Non-Defaulting Party**”) may give notice in writing to the Defaulting Party specifying the default or breach and requiring the Defaulting Party to remedy the said default or breach within 14 days of the receipt of such notice. If the Defaulting Party fails to remedy the relevant default or breach within the said 14 days, the Non-Defaulting Party shall be entitled to give notice to the Defaulting Party to terminate the TPRE SPA and/or take action to claim any right or remedy available to the Non-Defaulting Party at law or in equity *(which includes the right to claim damages)*.	**<u>THSB’s default</u>** In the event that:- (i) THSB shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Tune Hotel Penang SPA; (ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel Penang SPA shall be found at any time to have been untrue or incorrect; or (iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB’s part to be performed, then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel Penang SPA. On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages. **<u>Non-registration of the memorandum of transfer</u>** In the event that:- (i) the transfer of the Tune Hotel Penang cannot be registered in favour of ECMLFG *(save for due to the default of ECMLFG or THSB, as the case may be)* and such transfer cannot be rectified by either party, either ECMLFG or THSB shall be entitled to terminate the Tune Hotel Penang SPA. On termination, THSB shall refund all monies paid by ECMLFG, including the deposit; or	**<u>THSB’s default</u>** In the event that:- (i) THSB shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Tune Hotel KK SPA; (ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel KK SPA shall be found at any time to have been untrue or incorrect; or (iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB’s part to be performed, then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel KK SPA. On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.	**<u>THSB’s default</u>** In the event that:- (i) THSB shall default, fail, neglect or refuse to complete the sale herein in accordance with the provisions of the Tune Hotel KLIA Aeropolis SPA; (ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel KLIA Aeropolis SPA, shall be found at any time to have been untrue or incorrect; or (iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB’s part to be performed; then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel KLIA Aeropolis SPA. On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
		(ii) the transfer of the Tune Hotel Penang is rejected for registration for reasons which are rectifiable *(include circumstances which require rectification from THSB)*, THSB shall upon notification from ECMLFG or the ECMLFG's solicitors, take steps to rectify the situation so that the registration of the transfer can be completed.		
Our commentaries	**Fair and reasonable.** This clause is a normal commercial term whereby the TPRE SPA may be terminated in the following circumstances:- (i) material breach of any term or condition of the TPRE SPA by the Defaulting Party; or (ii) occurrence of any events affecting the going concern or the legal status of the Defaulting Party, and the Defaulting Party fails to remedy such default or breach within 14 days of the receipt of notice from the Non-Defaulting Party. On termination of the TPRE SPA, the Non-Defaulting Party may take action to claim any right or remedy at law or in equity *(including the right to claim damages)*.	**Fair and reasonable.** This clause is a normal commercial term which governs the rights of the non-defaulting party. In any event of default *(i.e. other than events beyond control of the parties)*, the non-defaulting party shall be entitled to the following rights and remedies:-		

Non-defaulting party	ECMLFG *(the purchaser)*	THSB *(the vendor)*
(i) Remedy by way of specific performance to complete the SPA; or	✓	-
(ii) Terminate the SPA and be entitled to an agreed liquidated damages equivalent to the deposit	✓	✓

Salient terms	TPRE SPA	Tune Hotel Penang SPA	Tune Hotel KK SPA	Tune Hotel KLIA Aeropolis SPA
Covenants and obligations		**THSB** The covenants and obligations of THSB are, amongst others, THSB shall procure the existing tenants at Tune Hotel Penang to sign novation agreements to novate the existing tenancy agreements in favour of ECMLFG. **ECMLFG** ECMLFG shall accept the novation of the existing tenancy agreements in respect of the existing tenancies of the Tune Hotel Penang. **Both THSB and ECMLFG** THSB and ECMLFG shall, prior to the completion of the Tune Hotel Penang SPA, enter into a transition agreement for the transition of the Tune Hotel Penang's business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.	**THSB** The covenants and obligations of THSB are, amongst others, as follows:- (i) THSB shall procure the existing tenants at Tune Hotel KK to sign novation agreements to novate the existing tenancy agreements in favour of ECMLFG; and (ii) THSB shall procure the confirmation, consent and undertaking from the liquidator. **ECMLFG** ECMLFG shall accept the novation of the existing tenancy agreements in respect of the existing tenancies of Tune Hotel KK. **Both THSB and ECMLFG** THSB and ECMLFG shall, prior to the completion of the Tune Hotel KK SPA, enter into a transition agreement for the transition of the Tune Hotel KK's business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.	**THSB** The covenants and obligations of THSB are, amongst others, as follows:- (i) THSB shall procure the existing tenant at Tune Hotel KLIA Aeropolis to sign a novation agreement to novate the existing license agreement in favour of ECMLFG; (ii) THSB shall procure the consent and the relevant reassignment documents from the KLIA Aeropolis Existing Assignee; and (iii) THSB shall procure the consent and duly executed novation agreement from MAP to novate THSB's rights, title, interest and benefit deriving from the KLIA Aeropolis Concession Agreement to ECMLFG. **ECMLFG** ECMLFG shall accept the novation of the existing license agreement in respect of the existing tenancy of the Tune Hotel KLIA Aeropolis. **Both THSB and ECMLFG** THSB and ECMLFG shall, prior to the completion of the Tune Hotel KLIA Aeropolis SPA, enter into a transition agreement for the transition of the Tune Hotel KLIA Aeropolis' business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.
Our commentaries		**Fair and reasonable.** This clause serves to ensure the smooth transition of the respective hotel business *(together with existing tenancies)* as a going concern from THSB to ECMLFG.		

(ii) Salient terms of the shareholders agreements for TPSB, TP International and YKSB respectively to be executed by TPRE and ECMLFG ("**SHA**") and unitholders deed in relation to TP Flinders ("**Unitholders Deed**")

SHAs	**Unitholders Deed**
Restriction in dealings with shares Any dealings with shares shall be made in accordance with the prior written consent of all of the other shareholders and in accordance with the provisions of the SHAs.	Transfer of units The unitholders may not transfer their units, unless they obtain the prior written consent of all the other unitholders. Any transferee must enter into a deed agreeing to be bound by the terms of the Unitholders Deed.
Right to transfer shares to related company Either of the shareholder shall have the rights at its absolute discretion to transfer all or part of the shares held by it to its related company.	Right to transfer shares to related company Either of the unitholder shall have the rights at its absolute discretion to transfer all or part of the units held by it to its related company.
Pre-emption rights Where a shareholder intends to sell, transfer, assign or otherwise dispose of its shares, it shall give a notice in writing of its intention to offer all its shares in the company to the other shareholder at fair value as defined in the SHA.	Pre-emption and tag-along rights Any unitholder who intends to transfer or dispose of their units must give a notice in writing to TP International of its intention to offer to sell its units in TP Flinders to the remaining unitholders at fair value as defined in the Unitholders Deed. TP International will inform the remaining unitholders in writing of the offer made by the outgoing unitholder.
The board of directors and corporate governance (a) The board of directors shall consist of 4 directors of whom:- (aa) 2 directors shall be nominated and appointed by ECMLFG; and (bb) 2 directors shall be nominated and appointed by TPRE. (b) The chairman of the board of directors shall be a director appointed by ECMLFG. The chairman shall not have a second or casting vote.	The board of directors of TP International:- (a) Any shareholder holding 25% or more equity interest in TP International is entitled to appoint one director to TP International's board of directors for every 25% of the total equity interest held; and (b) Each unitholder of TP Flinders acknowledges that a director appointed by a shareholder(s) of TP International is the nominee of that shareholder(s).
Management (a) The company may appoint a management team comprising such technical and/or specialised personnel as may be appointed by the board of directors on majority vote. (b) The subsequent management team shall be determined by the chief executive officer in consultation with the board of directors.	Management (a) TP International may appoint a management team comprising such technical and/or specialised personnel as may be appointed by its board of directors on majority vote. (b) The subsequent management team shall be determined by the chief executive officer in consultation with the board of directors of TP International.
Shareholders' meeting The chairman of the meeting shall be appointed by ECMLFG. The chairman shall not have a second or casting vote.	Unitholders' meeting of TP Flinders Unless otherwise specified, all resolutions or decisions of the unitholders made at any meeting or adjourned meeting shall require a Special Majority Resolution from all unitholders present and capable of voting at the unitholders' meeting. "**Special Majority Resolution**" means in the case of a decision at a unitholders' meeting, a vote, resolution or consent of the unitholders passed by more than 50% of the total number of votes cast by the unitholders, which must include both TPRE and ECMLFG, or otherwise given in writing by unitholders entitled to cast more than 50% of the total number of votes that may be cast, which must include both TPRE and ECMLFG.

SHAs	Unitholders Deed
Funding The capital expenditure and working capital requirements of the company shall as far as practicable be funded from the funds of the company.	Funding The capital expenditure and working capital requirements of TP Flinders shall as far as practicable be funded from the funds of TP Flinders.
Matters requiring consent The matters set out below are matters in relation to the company requiring the unanimous approval from all shareholders, amongst others:- (a) the increase or change in the paid-up share capital of the company; (b) application for a listing or quotation of the company on any stock exchange; (c) change, alter, amend or modify the memorandum or articles, constituent documents or by-laws of the company; and (d) any resolution for the dissolution or winding up of the company.	Fundamental matters requiring a Special Majority Resolution The matters set out below are matters in relation to TP Flinders requiring a Special Majority Resolution, amongst others:- (a) the sale of TP Flinders' main undertaking or any substantial assets; (b) the repayment of advances to any unitholder, or conversion of the advances to equity; (c) the increase or change in the paid-up unit capital of TP Flinders; (d) application for a listing or quotation of TP Flinders on any stock exchange; (e) change, alter, amend or modify the memorandum or articles, constituent documents or by-laws of TP Flinders; and (f) any resolution for the dissolution or winding up of TP International or TP Flinders.
Duration The SHAs shall come into force on the date of signing by the shareholders and shall continue in force until the earlier of:- (a) the winding up of the company; or (b) the termination of the SHAs by mutual consent of the shareholders.	Duration The Unitholders Deed shall come into force on the date of signing by the unitholders and shall continue in force until the earlier of:- (a) the winding up of TP Flinders; or (b) the termination of the Unitholders Deed by mutual consent of the unitholders.

Our commentaries

Fair and reasonable. These agreements provide for various terms governing the conduct of the securities holders *(which are common, reasonable and not detrimental to the interests of ECMLFG)* such as:-

(i) the pre-emption rights allow the existing holders to have the first right of refusal to acquire securities of the outgoing holders before these securities are offered to third party investors. Any incoming holders are required to be bound by the provisions of these agreements, similar to other holders;

(ii) the composition of board of directors is proportionate to the equity interest held by the holders;

(iii) the voting rights of the holders in a board of directors' meeting and holders' meeting are also proportionate to their equity interest; and

(iv) the reserved matters *(which are of more significance or importance to the holders)* shall require unanimous approval from all shareholders *(as contained in the SHAs)* or a Special Majority Resolution *(as contained in the Unitholders Deed)*.

(iii) Salient terms of the Collaboration Agreement

Salient terms	Collaboration Agreement
Terms	The Collaboration Agreement shall take effect on the completion of the TPRE SPA and be effective for a term of 15 years.
Interdependence	The Collaboration Agreement is dependent upon the TPRE SPA and if for any reason TPRE SPA is not executed or if executed is rescinded or terminated prior to the completion of Collaboration Agreement, the Collaboration Agreement will by reason of such non-execution, rescission or termination be rescinded or terminated.
Obligation of TH (Brandco)	The obligations of TH (Brandco) are as follows:- (i) if required, to grant a power of attorney in favour of ECMLFG to provide TH (Brandco) with the necessary support in developing new business; and (ii) provide training and briefings to ECMLFG and the relevant personnel and staff seconded by ECMLFG in respect of "Tune Hotels.Com" franchise including the franchise system.
Obligation of ECMLFG	The obligations of ECMLFG are as follows:- (i) review, and if required, prepare and recommend fund raising exercises to be undertaken by the TH (Brandco); (ii) provide its management expertise and the relevant personnel and staff to TH (Brandco) to support TH (Brandco); (iii) review and recommend changes to the franchise system to further develop, improve, enhance and promote the "Tune Hotels.Com" franchise; (iv) identify and conduct the necessary due diligence on potential franchisees for the purpose of new business; (v) develop loyalty, reward and/or other similar programmes, initiatives and/or campaigns to promote and enhance the "Tune Hotels.Com" brand and/or the "Tune Hotels.Com" franchise; and (vi) identify and assess the suitability of potential sites or markets for new business.
Termination	In the event that any party:- (i) commits any breach of its material obligations under the Collaboration Agreement and fails to remedy such breach; (ii) becomes insolvent or unable to pay its debts within the meaning of the Companies Act or any other legislation regarding bankruptcy or insolvency of the jurisdiction in which it is a resident and/or carries on business *(provided that such action would adversely affect the ability of the defaulting party to perform its obligations under the Collaboration Agreement)* and has not taken steps to contest in good faith; (iii) goes into liquidation or is wound up either compulsorily or voluntarily *(except in the case of a voluntary liquidation for the purpose of reconstruction or amalgamation)*; (iv) if a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party *(which appointment would adversely affect the ability of the defaulting party to perform its obligations under the Collaboration Agreement)*; (v) if the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or (vi) if the defaulting party ceases, or threatens to cease, to carry on the whole or a substantial part of its business then and in any such event, the non-defaulting party shall be entitled to terminate the Collaboration Agreement by written notice to the defaulting party.
Our commentaries	**Fair and reasonable.** As set out in Section 5.1 above, the Proposed Collaboration *(which is conditional upon the Proposed Acquisitions from TPRE)* is an added incentive to ECMLFG in respect of the Proposed Acquisitions. The various terms on the Proposed Collaboration above are fair and reasonable and are not detrimental to the interests of ECMLFG.

(iv) Salient terms of the sale and purchase agreements for the Proposed Disposals

Salient terms	Bangunan ECM Libra Disposal SPA	Semi-D Disposal SPA
Disposal consideration and manner of payment	RM24,000,000, entirely in cash in the following manner:- (i) a deposit of RM2,400,000 *(representing 10% of the disposal consideration)* to the ECMLFG's solicitors as stakeholders upon execution of the Bangunan ECM Libra Disposal SPA in the following manner:- (a) RM720,000 to be retained by the ECMLFG's solicitors for payment of RPGT payable by ECMLFG on the disposal of the property, if any; and (b) RM1,680,000, which the ECMLFG's solicitors are authorised to release to ECMLFG within 5 business days from the date the last condition precedent of the Bangunan ECM Libra Disposal SPA is fulfilled; and (ii) balance of RM21,600,000 ("**Balance Disposal Consideration**") within 90 days from the date the Bangunan ECM Libra Disposal SPA becoming unconditional. The Balance Disposal Consideration after deducting the LKO Group's Dividend Portion *(i.e. all and any of the dividends the LKO Group is entitled to receive pursuant to the Proposed Special Dividend of which Noblemen has been elected and nominated to receive)* ("**Cash Portion**") shall be paid to the Company's solicitors within 3 business days after the Proposed Special Dividend is declared and announced by the Company but at all times after the Bangunan ECM Libra Disposal SPA becomes unconditional and after the issuance of the notice of stamp duty in respect of the disposal by the relevant stamp office. The Bangunan ECM Libra Disposal SPA shall be completed on the payment date of the Proposed Special Dividend when (i) the Company's solicitors release the Cash Portion to ECMLFG; (ii) the LKO Group's Dividend Portion is applied against the Balance Disposal Consideration; and (iii) the Company's solicitors are authorised to register the transfer of the East Wing and Centre Wing of Bangunan ECM Libra.	RM4,000,000, entirely in cash in the following manner:- (i) a deposit of RM400,000 *(representing 10% of the disposal consideration)* to the ECMLFG's solicitors as stakeholders upon execution of the Semi-D Disposal SPA in the following manner:- (a) RM120,000 to be retained by the ECMLFG's solicitors for payment of RPGT payable by ECMLFG on the disposal of the property, if any; and (b) RM280,000, which the ECMLFG's solicitors are authorised to release to ECMLFG within 5 business days from the date the last condition precedent of the Semi-D Disposal SPA is fulfilled; and (ii) balance of RM3,600,000 within 90 days from the date the Semi-D Disposal SPA becoming unconditional. The balance RM3,600,000 shall be paid to the Company's solicitors within 3 business days after the Proposed Special Dividend is declared and announced by the Company but at all times after the date the Semi-D Disposal SPA becomes unconditional and after the issuance of the notice of stamp duty in respect of the disposal by the relevant stamp office. The Semi-D Disposal SPA shall be completed on the payment date of the Proposed Special Dividend when (i) the Company's solicitors release the balance RM3,600,000 to ECMLFG; and (ii) the Company's solicitors are authorised to register the transfer of the Semi-D Property.
Our commentaries	**Fair and reasonable.** Please refer to Section 5.2 above for our evaluation on the disposal consideration for the Proposed Disposals.	

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Salient terms	Bangunan ECM Libra Disposal SPA	Semi-D Disposal SPA
Conditions precedent	The Proposed Bangunan ECM Libra Disposal is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Bangunan ECM Libra Disposal SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed upon by Noblemen and ECMLFG in writing:- (i) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (ii) the Company obtaining the consent from ECM Libra Foundation for (a) the purchaser, Noblemen to register the title to the land under its name; and (b) to release the Company from its obligation to procure the subdivision of the building in accordance with the Strata Titles Act 1985 at its own cost and expenses and the issuance of separate strata titles for the units in Bangunan ECM Libra, which was obtained on 3 July 2017; (iii) the TPRE SPA being unconditional; and (iv) any other regulatory, governmental or other approvals and consents, if required.	The Proposed Semi-D Disposal is conditional upon the following conditions precedent being fulfilled on or before the expiration of 6 months from the date of the Semi-D Disposal SPA, being 4 November 2017 and the expiration of which has been extended for a further 6 months from 5 November 2017, or such extended date as may be mutually agreed upon by Noblemen and ECMLFG in writing:- (i) the Company obtaining the approval of its shareholders by way of resolution passed at the forthcoming EGM to be convened; (ii) the TPRE SPA being unconditional; and (iii) any other regulatory, governmental or other approvals and consents, if required.
Our commentaries	**Fair and reasonable.** The conditions precedent above represent necessary approvals / procedures required to facilitate the completion of the Proposed Disposals. As at the LPD, save as disclosed above, all other conditions precedent have not been satisfied.	
Interdependence	The Bangunan ECM Libra Disposal SPA is interdependent with the Semi-D Disposal SPA as well as the TPRE SPA and if for any reason the Semi-D Disposal SPA or the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Bangunan ECM Libra Disposal SPA, the Bangunan ECM Libra Disposal SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.	The Semi-D Disposal SPA is interdependent with the Bangunan ECM Libra Disposal SPA as well as the TPRE SPA and if for any reason the Bangunan ECM Libra Disposal SPA or the TPRE SPA is not executed or if executed is rescinded, terminated or not capable of completion prior to the completion of the Semi-D Disposal SPA, the Semi-D Disposal SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.
Our commentaries	**Fair and reasonable.** As set out in Section 16, Part A of the Circular, the Proposed Semi-D Disposal and the Proposed Bangunan ECM Libra Disposal are inter-conditional and pursuant to the conditions precedent above, the Proposed Disposals are conditional upon the Proposed Acquisitions from TPRE being unconditional.	
Termination	**<u>Noblemen's default</u>** In the event that:- (i) Noblemen shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Bangunan ECM Libra Disposal SPA; (ii) any undertaking, covenant, representation or warranty of Noblemen in the Bangunan ECM Libra Disposal SPA shall be found at any time to have been untrue or incorrect; or (iii) Noblemen shall fail, neglect or refuse to comply with any of the material undertakings and covenants on Noblemen's part to be performed, then ECMLFG shall be entitled to terminate the Bangunan ECM Libra Disposal SPA. On termination, ECMLFG shall be entitled to forfeit the deposit paid by Noblemen as agreed liquidated damages.	**<u>Noblemen's default</u>** In the event that:- (i) Noblemen shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Semi-D Disposal SPA; (ii) any undertaking, covenant, representation or warranty of Noblemen in the Semi-D Disposal SPA shall be found at any time to have been untrue or incorrect; or (iii) Noblemen shall fail, neglect or refuse to comply with any of the material undertakings and covenants on Noblemen's part to be performed, then ECMLFG shall be entitled to terminate the Semi-D Disposal SPA. On termination, ECMLFG shall be entitled to forfeit the deposit paid by Noblemen as agreed liquidated damages.

<table>
<tr><th>Salient terms</th><th>Bangunan ECM Libra Disposal SPA</th><th>Semi-D Disposal SPA</th></tr>
<tr><td></td><td><u>ECMLFG's default</u>

In the event that:-

(i) ECMLFG shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Bangunan ECM Libra Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Bangunan ECM Libra Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then Noblemen shall be entitled to the remedy of specific performance or terminate the Bangunan ECM Libra Disposal SPA.

On termination, ECMLFG shall refund all monies paid by Noblemen, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

<u>Non-registration of memorandum of transfer</u>

In the event that:-

(i) the transfer of the East Wing and Centre Wing of Bangunan ECM Libra cannot be registered in favour of Noblemen (save for due to the default of ECMLFG and Noblemen, as the case may be) and such transfer cannot be rectified by either party, ECMLFG and Noblemen shall consult and discuss with each other in good faith to enter into an agreement for ECMLFG to hold the East Wing and Centre Wing of Bangunan ECM Libra on trust for Noblemen; or

(ii) the transfer of the East Wing and Centre Wing of Bangunan ECM Libra is rejected for registration for reasons which are rectifiable (include circumstances which require rectification from ECMLFG), ECMLFG shall upon notification from Noblemen or the ECMLFG's solicitors, take steps to rectify the situation so that registration of the transfer can be completed.</td><td><u>ECMLFG's default</u>

In the event that:-

(i) ECMLFG shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Semi-D Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Semi-D Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then Noblemen shall be entitled to the remedy of specific performance or terminate the Semi-D Disposal SPA.

On termination, ECMLFG shall refund all monies paid by Noblemen, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

<u>Non-registration of memorandum of transfer</u>

In the event that:-

(i) the transfer of the Semi-D Property cannot be registered in favour of Noblemen (save for due to the default of ECMLFG or Noblemen, as the case may be) and such transfer cannot be rectified by either party, ECMLFG and Noblemen shall consult and discuss with each other in good faith to enter into an agreement for ECMLFG to hold the Semi-D Property on trust for Noblemen; or

(ii) the transfer of the Semi-D Property is rejected for registration for reasons which are rectifiable (include circumstances which require rectification from ECMLFG), ECMLFG shall upon notification from Noblemen or the ECMLFG's solicitors, take steps to rectify the situation so that the registration of the transfer can be completed.</td></tr>
<tr><td>Our commentaries</td><td colspan="2">Fair and reasonable. This clause is a normal commercial term which governs the rights of the non-defaulting party. In any event of default (i.e. other than events beyond control of the parties), the non-defaulting party shall be entitled to the following rights and remedies:-

<table><tr><th>Non-defaulting party</th><th>Noblemen (the purchaser)</th><th>ECMLFG (the vendor)</th></tr><tr><td>(i) Remedy by way of specific performance to complete the sale and purchase agreement; or</td><td>✓</td><td>-</td></tr><tr><td>(ii) Terminate the sale and purchase agreement and be entitled to an agreed liquidated damages equivalent to the deposit</td><td>✓</td><td>✓</td></tr></table></td></tr>
</table>

Salient terms	Bangunan ECM Libra Disposal SPA	Semi-D Disposal SPA
Covenants and obligations	**ECMLFG** The covenants and obligations of ECMLFG are, amongst others, as follows:- (i) ECMLFG shall procure the existing tenants at the East Wing and Centre Wing of Bangunan ECM Libra to sign a novation agreement to novate the existing tenancy agreements in favour of Noblemen provided that ECMLFG has no obligation to procure new tenants to substitute tenancies which have expired before the completion date of the Bangunan ECM Libra Disposal SPA; and (ii) ECMLFG shall deposit the original tenancy agreements that are to be novated with the ECMLFG's solicitors. **Noblemen** (i) Noblemen shall enter into a tenancy agreement with ECMLFG for ECMLFG to continue to occupy the area within the Bangunan ECM Libra which is currently occupied by ECMLFG based on terms and conditions which are on arm's length basis and no worse than the tenancies granted to other tenants of Bangunan ECM Libra; (ii) Noblemen shall accept the renewal of the relevant tenancy agreements that may have expired after the date of the Bangunan ECM Libra Disposal SPA and renewed prior to completion date of the Bangunan ECM Libra Disposal SPA in order to maintain the existing business as a going concern; and (iii) Noblemen shall release ECMLFG from its obligation in procuring the subdivision of the entire Bangunan ECM Libra *(including the West Wing and car parks)* in accordance to Strata Titles Act 1985 and issuance of separate titles for units in the Bangunan ECM Libra pursuant to Clause 10A of the sale and purchase agreement dated 5 September 2007, being the agreement in relation to the sales of the West Wing and car parks to the ECM Libra Foundation.	
Our commentaries	**Fair and reasonable.** This clause serves to ensure the smooth transition of the East Wing and Centre Wing of Bangunan ECM Libra *(together with existing tenancies)* as a going concern from ECMLFG to Noblemen as well as to maintain ECMLFG's current operations in the building.	

Based on the above, we are of the view that the salient terms of the sale and purchase agreements for the Proposed Acquisitions, SHAs, Unitholders Deed, Collaboration Agreement and sale and purchase agreements for the Proposed Disposals are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of ECMLFG.

Further, we have reviewed the salient terms of the franchise, hotel management and service agreements *(as set out in Appendix II of the Circular)* in relation to the Proposed Acquisitions and we are of the view that the salient terms of these agreements are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of ECMLFG.

We have also taken note of the legal opinion by WongPartnership LLP on the enforceability of the TPRE SPA against TPRE under the relevant laws of Singapore in Appendix X of the Circular and the legal opinion by HWL Ebsworth Lawyers on the ownership of title or interests in TP Flinders, TP International and the Flinders Lane Property in Appendix XI of the Circular.

5.4 Effects of the Proposals and the Proposed Special Dividend on the ECMLFG Group

We noted the following effects of the Proposals and the Proposed Special Dividend from Section 14, Part A of the Circular:-

The Proposed Provision of Financial Assistance and the Proposed Collaboration will not have any effect on the share capital, substantial shareholders' shareholdings, earnings and EPS, NA, NA per Share and gearing of ECMLFG.

5.4.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposals and the Proposed Special Dividend *(which shall be satisfied entirely by cash)* will not have any effect on the issued share capital and the substantial shareholders' shareholding of ECMLFG.

The Proposed Acquisitions *(including the Proposed Diversification)* will result in an increase in the issued share capital of ECMLFG due to the issuance of the Consideration Shares to partially satisfy the purchase consideration for the Proposed Acquisitions.

Upon completion of the Proposed Acquisitions, Tan Sri Dr Anthony Francis Fernandes and Datuk Kamarudin bin Meranun *(via their interest in Tune Group Sdn Bhd)* will emerge as new substantial shareholders of the Company with an equity interest of approximately 23.0%. Nonetheless, Lim Kian Onn will remain as the controlling shareholder of ECMLFG with a total interest of 33.0% upon completion of the Proposed Acquisitions *(diluted from 46.1% as at the LPD)*.

5.4.2 Earnings and EPS

The Proposed Special Dividend will not have any effect on the earnings and EPS of ECMLFG whereas the Proposed Disposals are expected to result in an aggregated gain on disposal of approximately RM3.3 million.

The Proposed Acquisitions involve the issuance of Consideration Shares to partially satisfy the purchase consideration. Accordingly, depending on the profit contribution from the hotel business, there will be an immediate dilution in the EPS of ECMLFG as a result of the increase in weighted average number of ordinary shares in issue.

The Proposed Acquisitions *(including the Proposed Diversification)* are expected to contribute positively to the future earnings of ECMLFG, driven by the following hotel properties:-

(i) Tune Hotel KLIA2, the concession of which will expire on 31 January 2034. The Company understands that there are ongoing discussions by TPSB regarding the extension of the concession period in line with the government's extension of MAHB's lease;

(ii) Tune Hotel Penang;

(iii) Tune Hotel KK;

(iv) Tune Hotel KLIA Aeropolis, the concession of which will expire on 11 February 2034; and

(v) the Flinders Lane Property, upon being developed into a hotel.

Further details on the prospects and future plans in respect of these hotel properties are set out in Section 7.3, Part A of the Circular.

5.4.3 NA, NA per Share and gearing

We noted from Section 14.3, Part A of the Circular that after the completion of the Proposed Disposals and the Proposed Special Dividend, the NA of ECMLFG will be adjusted to approximately RM103.2 million or RM0.36 per Share *(which is equivalent to the Issue Price of the Consideration Shares)* and thereafter, the NA of ECMLFG will remain at RM0.36 per Share upon completion of the Proposed Acquisitions.

The purchase consideration for the Proposed Acquisitions shall be satisfied via the issuance of 193.33 million Consideration Shares at the Issue Price and the balance of RM19.0 million in cash. As the Issue Price will be equivalent to the adjusted NA of ECMLFG *(immediately prior to the issuance of the Consideration Shares)*, there will not be any dilutive impact on NA per Share resulting from the issuance of the Consideration Shares.

ECMLFG will finance the cash payment of RM19.0 million via external borrowings. Accordingly, this will increase the total borrowings of ECMLFG from nil to RM19.0 million, which translates to a gearing level of 0.11 times.

Based on our evaluation above, the overall effects of the Proposals are not detrimental to the interests of the non-interested shareholders of ECMLFG.

5.5 Prospects of the ECMLFG Group in the tourism and hospitality industry

We noted the outlook and future prospects of the tourism and hospitality industry in Malaysia and Australia as well as the prospects of the hotel properties to be acquired as set out in Section 7, Part A of the Circular.

The Proposed Acquisitions, the Proposed Collaboration and the Proposed Diversification provide a strategic opportunity for ECMLFG to diversify its revenue and earnings stream into the hotel business that has potential for growth, driven by:-

(i) existing hospitality management and operations expertise and established hospitality franchise of the “Tune Hotels.Com” brand;

(ii) hotel properties at various strategic / prime location i.e. near major transportation hubs and/or leading tourist destinations; and

(iii) positive outlook of the tourism and hospitality industry in both Malaysia and Australia, supported by the respective governments’ concerted efforts to improve and encourage tourism.

Upon completion of the Proposed Acquisitions, ECMLFG intends to undertake a proposed re-positioning exercise, involving amongst others, a sensible refurbishment exercise *(including amongst others, upgrading of hotel lobby and façade as well as furniture and fittings of the standard rooms)*, re-positioning of product offerings *(including introduction of new room types)* as well as implementation of different pricing and sales and marketing strategies to improve the financial performance and occupancy rates of the hotels. This exercise is necessary in order for the hotels to remain relevant in the industry amidst increased competition from new players *(including online platforms such as Airbnb)*.

On the international front, ECMLFG will have exposure to the hotel development of Flinders Lane Property in Australia while continue to be on the lookout for opportunities to acquire overseas properties *(with a focus in Australia and the United Kingdom)* to add to its portfolio of hotel properties.

Moving forward, the management will take proactive measures to address any significant change and/or development in the tourism and hospitality industry landscape *(such as the introduction of tourism tax in Malaysia)* while continue to operate and improve the performance of the Group's existing core business in asset management and financial services.

(Source: Management of ECMLFG)

We are of the view that the prospects of the ECMLFG Group in the tourism and hospitality industry appear to be positive, after taking into consideration amongst others, the established Tune Hotels' hospitality franchise, strategic / prime locations of the hotel properties to be acquired as well as the positive outlook of the tourism and hospitality industry in both Malaysia and Australia against the backdrop of the respective countries' reputation as popular tourist destinations, supported by the respective governments' concerted efforts to improve and encourage tourism.

5.6 Risk factors in relation to the Proposals

In considering the Proposals *(especially the Proposed Acquisitions and consequential proposals)*, the non-interested shareholders of ECMLFG are advised to give careful consideration to the risk factors as set out in Section 11, Part A of the Circular.

Pursuant to the Proposed Acquisitions and the Proposed Diversification, the ECMLFG Group will diversify its existing principal activities in the financial services sector to include the business of hotel ownership and management. Such diversification will expose ECMLFG to business risks inherent to the tourism and hospitality industry such as (i) changes in the political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements, (ii) increased competition from other / new hotels in the market or from online accommodation-sharing platforms, (iii) increase in the cost of labour, maintenance or capital improvements or operating costs, (iv) loss of key management and staff, (v) termination of hotel management, franchise and service agreements by service providers and (vi) adverse effects of a downturn in economic conditions or preference within the locality of the hotel.

Further, we noted that MAP has an exclusive discretion at any time, to terminate the KLIA2 Concession Agreement *(for reasons due to operational requirements or due to governmental directive, safety or security related issues)* and the KLIA Aeropolis Concession Agreement *(without any reason)* by giving 90 days' prior written notice. In such an event, the Tune Hotel KLIA2's and the Tune Hotel KLIA Aeropolis' principal business and source of revenue will cease.

Although there are mitigating factors for most of the risks associated with the Proposals, no assurance can be given that such risk factors will not crystallise and give rise to material and adverse impact on the financial performance, position or prospects of the ECMLFG Group.

Nonetheless, it is worth noting that a substantial portion of the purchase consideration for the Proposed Acquisitions *(i.e. close to 80%)* will be satisfied via the issuance of Consideration Shares, indicating the intention of the vendors to continue participation in the future growth of ECMLFG's hotel business i.e. it is not the sole purpose of the vendors to monetise or exit their investments in the hotel properties. Hence, the ECMLFG Group is able to leverage on the Tune Hotels' existing hospitality management and operations expertise, and at the same time, manage any operational risks to the extent possible.

6. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the ordinary resolutions to give effect to the Proposals at the forthcoming EGM of the Company, it is imperative that the non-interested shareholders of the Company consider all relevant issues and implications raised in this Independent Advice Letter carefully, as well as those highlighted by the Board in its letter to shareholders in relation to the Proposals and the Proposed Special Dividend, as set out in Part A of the Circular.

After taking into consideration the pertinent factors highlighted in the preceding sections of this Independent Advice Letter, we are of the opinion that, on the basis of the information available to us, the Proposals are fair and reasonable and are not detrimental to the non-interested shareholders of ECMLFG.

Accordingly, we recommend that the non-interested shareholders of ECMLFG vote in favour of the ordinary resolutions to give effect to the Proposals to be tabled at the forthcoming EGM of the Company.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN	**DENIS LIM**
Managing Director	Director / Head of Corporate Finance

(A) <u>TPRE SPA</u>

(1) Interdependence

The TPRE SPA is interdependent with the Semi-D Disposal SPA and Bangunan ECM Libra Disposal SPA and subject to the completion of the Proposed Special Dividend and if for any reason any of the Semi-D Disposal SPA or Bangunan ECM Libra Disposal SPA are not executed or if executed are rescinded or terminated or the Proposed Special Dividend cannot be undertaken or completed prior to the completion of the TPRE SPA, the TPRE SPA will by reason of such non-execution, rescission or termination be rescinded or terminated.

(2) Termination

On the occurrence of any of the following events:

(i) any one of the Parties ("**Defaulting Party**") breaches any of the material or fundamental term or condition of the TPRE SPA (including a breach of warranties) or if the Defaulting Party fails to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the TPRE SPA;

(ii) a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party;

(iii) the Defaulting Party commits any act of bankruptcy or is declared a bankrupt or becomes unable to pay its debts when they are due; or

(iv) the Defaulting Party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them,

then the other Party ("**Non-Defaulting Party**") may give notice in writing to the Defaulting Party specifying the default or breach and requiring the Defaulting Party to remedy the said default or breach within 14 days of the receipt of such notice.

If the Defaulting Party fails to remedy the relevant default or breach within the said 14 days, the Non-Defaulting Party shall be entitled to give notice to the Defaulting Party to terminate the TPRE SPA and/or take action to claim any right or remedy available to the Non-Defaulting Party at law or in equity (which includes the right to claim damages).

(3) As part of the completion deliverables under the TPRE SPA, TPRE shall deliver the shareholders' agreement (in relation to TPSB, TP International and YKSB respectively) ("**SHAs**") and the unitholders deed in relation to TP Flinders ("**Unitholders Deed**") which contain the following salient terms:

SHAs:

(i) Restriction in dealings with shares

Any dealings with shares shall be made in accordance with the prior written consent of all of the other shareholders and in accordance with the provisions of the SHAs.

(ii) Right to transfer shares to related company

Either of the shareholder shall have the rights at its absolute discretion to transfer all or part of the shares held by it to its related company.

(A) <u>TPRE SPA (cont'd)</u>

(iii) Pre-emption rights

Where a shareholder intends to sell, transfer, assign or otherwise dispose of its shares, it shall give a notice in writing of its intention to offer all its shares in the company to the other shareholder at fair value as defined in the SHA.

(iv) The board of directors and corporate governance

(a) The board of directors shall consist of 4 directors of whom:

(aa) 2 directors shall be nominated and appointed by ECMLFG; and

(bb) 2 directors shall be nominated and appointed by TPRE.

(b) The chairman of the board of directors shall be a director appointed by ECMLFG. The chairman shall not have a second or casting vote.

(v) Management

(a) The company may appoint a management team comprising such technical and/or specialised personnel as may be appointed by the board of directors on majority vote.

(b) The subsequent management team shall be determined by the chief executive officer in consultation with the board of directors.

(vi) Shareholders' meeting

The chairman of the meeting shall be appointed by ECMLFG. The chairman shall not have a second or casting vote.

(vii) Funding

The capital expenditure and working capital requirements of the company shall as far as practicable be funded from the funds of the company.

(viii) Matters requiring consent

The matters set out below are matters in relation to the company requiring the unanimous approval from all shareholders, among others:

(a) the increase or change in the paid-up share capital of the company;

(b) application for a listing or quotation of the company on any stock exchange;

(c) change, alter, amend or modify the memorandum or articles, constituent documents or by-laws of the company; and

(d) any resolution for the dissolution or winding up of the company.

(A) <u>TPRE SPA (cont'd)</u>

(ix) Duration

The SHAs shall come into force on the date of signing by the shareholders and shall continue in force until the earlier of:

(a) the winding up of the company; or

(b) the termination of the SHAs by mutual consent of the shareholders.

Unitholders Deed:

(i) Transfer of units

The unitholders may not transfer their units, unless they obtain the prior written consent of all the other unitholders. Any transferee must enter into a deed agreeing to be bound by the terms of the Unitholders Deed.

(ii) Right to transfer shares to related company

Either of the unitholder shall have the rights at its absolute discretion to transfer all or part of the units held by it to its related company.

(iii) Pre-emptive and tag-along rights

Any unitholder who intends to transfer or dispose of their units must give a notice in writing to TP International of its intention to offer to sell its units in TP Flinders to the remaining unitholders at fair value as defined in the Unitholders Deed. TP International will inform the remaining unitholders in writing of the offer made by the outgoing unitholder.

(iv) The board of directors of TP International

(a) any shareholder holding 25% or more equity interest in TP International is entitled to appoint one director to TP International's board of directors for every 25% of the total equity interest held; and

(b) each unitholder of TP Flinders acknowledges that a director appointed by a shareholder(s) of TP International is the nominee of that shareholder(s).

(v) Management

(a) TP International may appoint a management team comprising such technical and/or specialised personnel as may be appointed by its board of directors on majority vote.

(b) The subsequent management team shall be determined by the chief executive officer in consultation with the board of directors of TP International.

(A) TPRE SPA (cont'd)

(vi) Unitholders' meeting of TP Flinders

Unless otherwise specified, all resolutions or decisions of the unitholders made at any meeting or adjourned meeting shall require a Special Majority Resolution from all unitholders present and capable of voting at the unitholders' meeting.

"**Special Majority Resolution**", means in the case of a decision at a unitholders meeting, a vote, resolution or consent of the unitholders passed by more than 50% of the total number of votes cast by the unitholders, which must include both TPRE and ECMLFG, or otherwise given in writing by unitholders entitled to cast more than 50% of the total number of votes that may be cast, which must include both TPRE and ECMLFG.

(vii) Funding

The capital expenditure and working capital requirements of TP Flinders shall as far as practicable be funded from the funds of TP Flinders.

(viii) Fundamental matters requiring a Special Majority Resolution

The matters set out below are matters in relation to TP Flinders requiring a Special Majority Resolution, among others:

(a) the sale of TP Flinders' main undertaking or any substantial assets;

(b) the repayment of advances to any unitholder, or conversion of the advances to equity;

(c) the increase or change in the paid-up unit capital of TP Flinders;

(d) application for a listing or quotation of TP Flinders on any stock exchange;

(e) change, alter, amend or modify the memorandum or articles, constituent documents or by-laws of TP Flinders; and

(f) any resolution for the dissolution or winding up of TP International or TP Flinders.

(ix) Duration

The Unitholders Deed shall come into force on the date of signing by the unitholders and shall continue in force until the earlier of:

(a) the winding up of TP Flinders; or

(b) the termination of the Unitholders Deed by mutual consent of the unitholders.

(B) TUNE HOTEL PENANG SPA

(1) Interdependence

The Tune Hotel Penang SPA is dependent upon the TPRE SPA but not vice versa and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel Penang SPA, the Tune Hotel Penang SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.

(2) ECMLFG's default

In the event that:

(i) ECMLFG shall default, fail, neglect or refuse to allot the Tune Hotel Penang Consideration Shares and/or pay the cash portion of the balance consideration in accordance with the provisions of the Tune Hotel Penang SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel Penang SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then THSB shall be entitled to terminate the Tune Hotel Penang SPA.

On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.

(3) THSB's default

In the event that:

(i) THSB shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Tune Hotel Penang SPA;

(ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel Penang SPA shall be found at any time to have been untrue or incorrect; or

(iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB's part to be performed,

then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel Penang SPA.

On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

(B) TUNE HOTEL PENANG SPA (cont'd)

(4) Non-registration of the memorandum of transfer

In the event that:

(i) the transfer of the Tune Hotel Penang cannot be registered in favour of ECMLFG (save for due to the default of ECMLFG or THSB, as the case may be) and such transfer cannot be rectified by either party, either ECMLFG or THSB shall be entitled to terminate the Tune Hotel Penang SPA. On termination, THSB shall refund all monies paid by ECMLFG, including the deposit; or

(ii) the transfer of the Tune Hotel Penang is rejected for registration for reasons which are rectifiable (include circumstances which require rectification from THSB), THSB shall upon notification from ECMLFG or the ECMLFG's solicitors, take steps to rectify the situation so that the registration of the transfer can be completed.

(5) Covenants and obligations of THSB

The covenants and obligations of THSB are, among others, THSB shall procure the existing tenants at Tune Hotel Penang to sign novation agreements to novate the existing tenancy agreements in favour of ECMLFG.

(6) Covenants and obligations of ECMLFG

ECMLFG shall accept the novation of the existing tenancy agreements in respect of the existing tenancies of the Tune Hotel Penang.

(7) Covenants and obligations of both THSB and ECMLFG

THSB and ECMLFG shall, prior to the completion of the Tune Hotel Penang SPA, enter into a transition agreement for the transition of the Tune Hotel Penang's business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.

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(C) <u>TUNE HOTEL KK SPA</u>

(1) Interdependence

The Tune Hotel KK SPA is dependent upon the TPRE SPA but not vice versa and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel KK SPA, the Tune Hotel KK SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.

(2) ECMLFG's default

In the event that:

(i) ECMLFG shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Tune Hotel KK SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel KK SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then THSB shall be entitled to terminate the Tune Hotel KK SPA.

On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.

(3) THSB's default

In the event that:

(i) THSB shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Tune Hotel KK SPA;

(ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel KK SPA shall be found at any time to have been untrue or incorrect; or

(iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB's part to be performed,

then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel KK SPA.

On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

(C) TUNE HOTEL KK SPA (cont'd)

(4) Covenants and obligations of THSB

The covenants and obligations of THSB are, among others, as follows:

(i) THSB shall procure the existing tenants at Tune Hotel KK to sign novation agreements to novate the existing tenancy agreements in favour of ECMLFG; and

(ii) THSB shall procure the confirmation, consent and undertaking from the liquidator.

(5) Covenants and obligations of ECMLFG

ECMLFG shall accept the novation of the existing tenancy agreements in respect of the existing tenancies of Tune Hotel KK.

(6) Covenants and obligations of both THSB and ECMLFG

THSB and ECMLFG shall, prior to the completion of the Tune Hotel KK SPA, enter into a transition agreement for the transition of the Tune Hotel KK's business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.

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(D) TUNE HOTEL KLIA AEROPOLIS SPA

(1) Interdependence

The Tune Hotel KLIA Aeropolis SPA is dependent upon the TPRE SPA but not vice versa and if for any reason the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Tune Hotel KLIA Aeropolis SPA, the Tune Hotel KLIA Aeropolis SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.

(2) ECMLFG's default

In the event that:

(i) ECMLFG shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Tune Hotel KLIA Aeropolis SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Tune Hotel KLIA Aeropolis SPA, shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then THSB shall be entitled to terminate the Tune Hotel KLIA Aeropolis SPA.

On termination, THSB shall be entitled to forfeit the deposit paid by ECMLFG as agreed liquidated damages.

(3) THSB's default

In the event that:

(i) THSB shall default, fail, neglect or refuse to complete the sale herein in accordance with the provisions of the Tune Hotel KLIA Aeropolis SPA;

(ii) any undertaking, covenant, representation or warranty of THSB in the Tune Hotel KLIA Aeropolis SPA, shall be found at any time to have been untrue or incorrect; or

(iii) THSB shall fail, neglect or refuse to comply with any of the material undertakings and covenants on THSB's part to be performed,

then ECMLFG shall be entitled to the remedy of specific performance or terminate the Tune Hotel KLIA Aeropolis SPA.

On termination, THSB shall refund all monies paid by ECMLFG, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

(D) TUNE HOTEL KLIA AEROPOLIS SPA (cont'd)

(4) Covenants and obligations of THSB

The covenants and obligations of THSB are, among others, as follows:

(i) THSB shall procure the existing tenant at Tune Hotel KLIA Aeropolis to sign a novation agreement to novate the existing license agreement in favour of ECMLFG;

(ii) THSB shall procure the consent and the relevant reassignment documents from the KLIA Aeropolis Existing Assignee; and

(iii) THSB shall procure the consent and duly executed novation agreement from MAP to novate THSB's rights, title, interest and benefit deriving from the KLIA Aeropolis Concession Agreement to ECMLFG.

(5) Covenants and obligations of ECMLFG

ECMLFG shall accept the novation of the existing license agreement in respect of the existing tenancy of the Tune Hotel KLIA Aeropolis.

(6) Covenants and obligations of both THSB and ECMLFG

THSB and ECMLFG shall, prior to the completion of the Tune Hotel KLIA Aeropolis SPA, enter into a transition agreement for the transition of the Tune Hotel KLIA Aeropolis' business as a going concern from THSB to ECMLFG in accordance with customary standard hotel sale terms.

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(E) <u>BANGUNAN ECM LIBRA DISPOSAL SPA</u>

(1) Interdependence

The Bangunan ECM Libra Disposal SPA is interdependent with the Semi-D Disposal SPA as well as the TPRE SPA, and if for any reason the Semi-D Disposal SPA or the TPRE SPA is not executed or if executed is rescinded or terminated or not capable of completion prior to the completion of the Bangunan ECM Libra Disposal SPA, the Bangunan ECM Libra Disposal SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.

(2) Noblemen's default

In the event that:

(i) Noblemen shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Bangunan ECM Libra Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of Noblemen in the Bangunan ECM Libra Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) Noblemen shall fail, neglect or refuse to comply with any of the material undertakings and covenants on Noblemen's part to be performed,

then ECMLFG shall be entitled to terminate the Bangunan ECM Libra Disposal SPA.

On termination, ECMLFG shall be entitled to forfeit the deposit paid by Noblemen as agreed liquidated damages.

(3) ECMLFG's default

In the event that:

(i) ECMLFG shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Bangunan ECM Libra Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Bangunan ECM Libra Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then Noblemen shall be entitled to the remedy of specific performance or terminate the Bangunan ECM Libra Disposal SPA.

On termination, ECMLFG shall refund all monies paid by Noblemen, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

(E) BANGUNAN ECM LIBRA DISPOSAL SPA (cont'd)

(4) Non-registration of memorandum of transfer

In the event that:

(i) the transfer of the East Wing and Centre Wing of Bangunan ECM Libra cannot be registered in favour of Noblemen (save for due to the default of ECMLFG and Noblemen, as the case may be) and such transfer cannot be rectified by either party, ECMLFG and Noblemen shall consult and discuss with each other in good faith to enter into an agreement for ECMLFG to hold the East Wing and Centre Wing of Bangunan ECM Libra on trust for Noblemen; or

(ii) the transfer of the East Wing and Centre Wing of Bangunan ECM Libra is rejected for registration for reasons which are rectifiable (include circumstances which require rectification from ECMLFG), ECMLFG shall upon notification from Noblemen or the ECMLFG's solicitors, take steps to rectify the situation so that registration of the transfer can be completed.

(5) Covenants and obligations of ECMLFG

The covenants and obligations of ECMLFG are, among others, as follows:

(i) ECMLFG shall procure the existing tenants at the East Wing and Centre Wing of Bangunan ECM Libra to sign a novation agreement to novate the existing tenancy agreements in favour of Noblemen provided that ECMLFG has no obligation to procure new tenants to substitute tenancies which have expired before the completion date of the Bangunan ECM Libra Disposal SPA; and

(ii) ECMLFG shall deposit the original tenancy agreements that are to be novated with the ECMLFG's solicitors.

(6) Covenants and obligations of Noblemen

(i) Noblemen shall enter into a tenancy agreement with ECMLFG for ECMLFG to continue to occupy the area within the Bangunan ECM Libra which is currently occupied by ECMLFG based on terms and conditions which are on arms-length basis and no worse than the tenancies granted to other tenants of Bangunan ECM Libra;

(ii) Noblemen shall accept the renewal of the relevant tenancy agreements that may have expired after the date of the Bangunan ECM Libra Disposal SPA and renewed prior to completion date of the Bangunan ECM Libra Disposal SPA in order to maintain the existing business as a going concern; and

(iii) Noblemen shall release ECMLFG from its obligation in procuring the subdivision of the entire Bangunan ECM Libra (including the West Wing and car parks) in accordance to Strata Titles Act 1985 and issuance of separate titles for units in the Bangunan ECM Libra pursuant to Clause 10A of the sale and purchase agreement dated 5 September 2007, being the agreement in relation to the sales of the West Wing and car parks to the ECM Libra Foundation.

(F) SEMI-D DISPOSAL SPA

(1) Interdependence

The Semi-D Disposal SPA is interdependent with the Bangunan ECM Libra Disposal SPA as well as the TPRE SPA, and if for any reason the Bangunan ECM Libra Disposal SPA or the TPRE SPA is not executed or if executed is rescinded, terminated or not capable of completion prior to the completion of the Semi-D Disposal SPA, the Semi-D Disposal SPA will by reason of such non-execution, rescission, termination or non-completion, be rescinded or terminated.

(2) Noblemen's default

In the event that:

(i) Noblemen shall default, fail, neglect or refuse to pay the balance consideration in accordance with the provisions of the Semi-D Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of Noblemen in the Semi-D Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) Noblemen shall fail, neglect or refuse to comply with any of the material undertakings and covenants on Noblemen's part to be performed,

then ECMLFG shall be entitled to terminate the Semi-D Disposal SPA.

On termination, ECMLFG shall be entitled to forfeit the deposit paid by Noblemen as agreed liquidated damages.

(3) ECMLFG's default

In the event that:

(i) ECMLFG shall default, fail, neglect or refuse to complete the sale in accordance with the provisions of the Semi-D Disposal SPA;

(ii) any undertaking, covenant, representation or warranty of ECMLFG in the Semi-D Disposal SPA shall be found at any time to have been untrue or incorrect; or

(iii) ECMLFG shall fail, neglect or refuse to comply with any of the material undertakings and covenants on ECMLFG's part to be performed,

then Noblemen shall be entitled to the remedy of specific performance or terminate the Semi-D Disposal SPA.

On termination, ECMLFG shall refund all monies paid by Noblemen, including the deposit together with an amount equivalent to the deposit as agreed liquidated damages.

(F) SEMI-D DISPOSAL SPA (cont'd)

(4) Non-registration of memorandum of transfer

In the event that:

(i) the transfer of the Semi-D Property cannot be registered in favour of Noblemen (save for due to the default of ECMLFG or Noblemen, as the case may be) and such transfer cannot be rectified by either party, ECMLFG and Noblemen shall consult and discuss with each other in good faith to enter into an agreement for ECMLFG to hold the Semi-D Property on trust for Noblemen; or

(ii) the transfer of the Semi-D Property is rejected for registration for reasons which are rectifiable (include circumstances which require rectification from ECMLFG), ECMLFG shall upon notification from Noblemen or the ECMLFG's solicitors, take steps to rectify the situation so that the registration of the transfer can be completed.

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(A) KLIA2 CONCESSION AGREEMENT

(1) Grant of concession

MAP grants to TPSB the right and authority to, among others, the following:

(i) to design, construct, build, operate, maintain and manage Tune Hotel KLIA2 in accordance with the prescribed standards; and

(ii) to provide hotel services in accordance with the prescribed standards.

(2) Tenure

The tenure of the concession for Tune Hotel KLIA2 is for a period commencing from 1 March 2012 to 31 January 2034.

(3) Ongoing payment obligations of the respective parties

TPSB shall pay to MAP, among others, the following:

(i) the license fee being charges imposed by MAP for the use of the land comprised in the concession area in respect of Tune Hotel KLIA2, which shall be calculated based on RM49.00 per square metre and shall be payable annually in advance. Such license fee shall be increased by 10% every 3 years;

(ii) the service fee being charges imposed by MAP for the maintenance of the airport, which shall be calculated based on RM0.71 per square metre and shall be payable monthly in advance. Such service fee shall be increased by 3% every 5 years; and

(iii) the royalty fee being a revenue share percentage, which shall be calculated based on 5% of TPSB's monthly gross revenue and payable by the end of every calendar month.

(4) Termination

(i) MAP has an exclusive discretion at any time, to terminate the KLIA2 Concession Agreement for reasons due to operational requirements, due to governmental directive, safety or security related issues by giving to TPSB 90 days' prior written notice and the KLIA2 Concession Agreement is deemed to be terminated upon the expiry of the 90 days' notice period.

(ii) If TPSB fails to comply with the terms and conditions of the KLIA2 Concession Agreement and is in breach of its material obligations under the KLIA2 Concession Agreement, then MAP may give notice to TPSB specifying the relevant default and requiring TPSB to remedy within 14 days from the date of notice.

(iii) Upon termination or expiry of the concession period, Tune Hotel KLIA2 and all rights and entitlements of TPSB shall revert to, vest in or remain vested in MAP and TPSB shall hand over Tune Hotel KLIA2 and the concession area.

(A) <u>KLIA2 CONCESSION AGREEMENT (cont'd)</u>

(iv) TPSB may at any time, terminate the KLIA2 Concession Agreement by giving 2 months' prior written notice to MAP.

(v) On termination, TPSB shall pay to MAP a sum equivalent to 6 months license fee as agreed liquidated damages. However, if TPSB terminates the KLIA2 Concession Agreement without giving such notice, TPSB shall pay to MAP a sum equivalent to 8 months license fee as agreed liquidated damages.

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(B) KLIA AEROPOLIS CONCESSION AGREEMENT

(1) Grant of concession

MAP grants to THSB the right and authority to, among others, the following:

(i) to design, construct and/or build and transfer Tune Hotel KLIA Aeropolis;

(ii) to operate, maintain and manage Tune Hotel KLIA Aeropolis; and

(iii) to provide hotel services in accordance with the prescribed standards.

(2) Tenure

The tenure of the concession for Tune Hotel KLIA Aeropolis is for a period commencing from 1 September 2007 to 11 February 2034.

(3) Payment obligations of THSB

THSB shall pay to MAP, among others, the following:

(i) the license fee being charges imposed by MAP for the use of the land comprised in the concession area in respect of Tune Hotel KLIA Aeropolis, which shall be calculated based on RM41.00 per square metre and shall be payable annually in advance. Such license fee shall be increased by 10% every 3 years;

(ii) the service fee being charges imposed by MAP for the maintenance of the airport site, which shall be calculated based on RM0.22 per square metre and shall be payable quarterly in advance. Such service fee shall be increased by 3% every 5 years; and

(iii) revenue sharing being charges imposed by MAP in consideration of the license granted by MAP to THSB to operate Tune Hotel KLIA Aeropolis during the concession period which shall be calculated based on 5% of monthly gross revenue less 6% of franchise fee.

(4) Termination and effects of termination

(i) MAP has an exclusive discretion at any time, to terminate the KLIA Aeropolis Concession Agreements without giving any reason whatsoever by giving to THSB 90 days' prior written notice and the KLIA Aeropolis Concession Agreements are deemed to be terminated upon the expiry of the 90 days' notice period.

(ii) If THSB fails to comply with the terms and conditions of the KLIA Aeropolis Concession Agreement or is in breach of its material obligations under the KLIA Aeropolis Concession Agreement, then MAP may give notice to THSB specifying the relevant default and requiring THSB to remedy within 30 days from the date of notice or such longer period as MAP may specify.

(iii) Upon termination or expiry of the concession period, Tune Hotel KLIA Aeropolis and all rights and entitlements of THSB shall revert to, vest in or remain vested in MAP and THSB shall hand over Tune Hotel KLIA Aeropolis and the concession area together with the list of agreed items in the inventory.

(B) KLIA AEROPOLIS CONCESSION AGREEMENT (cont'd)

(iv) THSB may at any time, terminate the KLIA Aeropolis Concession Agreement by giving 90 days' prior written notice to MAP and the KLIA Aeropolis Concession Agreement is deemed to be terminated upon the expiry of the 90 days' notice period.

(v) If THSB terminates the KLIA Aeropolis Concession Agreement without giving such notice, THSB shall pay to MAP a sum equivalent to 1 month current license fee and 3 months current service fee as agreed liquidated damages.

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(C) COLLABORATION AGREEMENT

(1) Terms

The Collaboration Agreement shall take effect on the completion of the TPRE SPA and be effective for a term of 15 years.

(2) Interdependence

The Collaboration Agreement is dependent upon the TPRE SPA and if for any reason TPRE SPA is not executed or if executed is rescinded or terminated prior to the completion of Collaboration Agreement, the Collaboration Agreement will by reason of such non-execution, rescission or termination be rescinded or terminated.

(3) Obligation of TH (Brandco)

The obligations of TH (Brandco) are as follows:

(i) if required, to grant a power of attorney in favour of ECMLFG to provide TH (Brandco) with the necessary support in developing new business; and

(ii) provide training and briefings to ECMLFG and the relevant personnel and staff seconded by ECMLFG in respect of "Tune Hotels.Com" franchise including the franchise system.

(4) Obligation of ECMLFG

The obligations of ECMLFG are as follows:

(i) review, and if required, prepare and recommend fund raising exercises to be undertaken by TH (Brandco);

(ii) provide its management expertise and the relevant personnel and staff to TH (Brandco) to support TH (Brandco);

(iii) review and recommend changes to the franchise system to further develop, improve, enhance and promote the "Tune Hotels.Com" franchise;

(iv) identify and conduct the necessary due diligence on potential franchisees for the purpose of new business;

(v) develop loyalty, reward and/or other similar programmes, initiatives and/or campaigns to promote and enhance the "Tune Hotels.Com" brand and/or the "Tune Hotels.Com" franchise; and

(vi) identify and assess the suitability of potential sites or markets for new business.

(5) Termination

In the event that any party:

(i) commits any breach of its material obligations under the Collaboration Agreement and fails to remedy such breach;

(C) COLLABORATION AGREEMENT (cont'd)

(ii) becomes insolvent or unable to pay its debts within the meaning of the Companies Act or any other legislation regarding bankruptcy or insolvency of the jurisdiction in which it is a resident and/or carries on business (provided that such action would adversely affect the ability of the defaulting party to perform its obligations under the Collaboration Agreement) and has not taken steps to contest in good faith;

(iii) goes into liquidation or is wound up either compulsorily or voluntarily (except in the case of a voluntary liquidation for the purpose of reconstruction or amalgamation);

(iv) if a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party (which appointment would adversely affect the ability of the defaulting party to perform its obligations under the Collaboration Agreement);

(v) if the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; or

(vi) if the defaulting party ceases, or threatens to cease, to carry on the whole or a substantial part of its business,

then and in any such event, the non-defaulting party shall be entitled to terminate the Collaboration Agreement by written notice to the defaulting party.

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(D) FRANCHISE AGREEMENTS

(1) Grant of franchise

TH (Brandco) grants to TPSB and THSB respectively, during the term of the respective franchise agreements, the exclusive right and license to use the "Tune Hotels.Com" brand and franchise system from:

(i) in relation to TPSB, the Tune Hotel KLIA2; and

(ii) in relation to THSB, the Tune Hotel Penang, the Tune Hotel KK, and the Tune Hotel KLIA Aeropolis.

(2) Term

In relation to the Tune Hotel KLIA2

The term of the franchise in respect of Tune Hotel KLIA2 is for a period commencing on 5 April 2013, and unless terminated in accordance with the termination provisions of the franchise agreement, be in full force and effect for a period of 21 years and 11 months from 1 March 2012.

In relation to Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis

Unless earlier terminated in accordance with the termination provisions of the respective franchise agreements, the term of the franchise is:

(i) in relation to Tune Hotel Penang, for an initial period of 10 years commencing from 1 April 2009;

(ii) in relation to Tune Hotel KK, for an initial period of 10 years commencing from 15 April 2008; and

(iii) in relation to Tune Hotel KLIA Aeropolis, for an initial period of 10 years commencing from 27 March 2009.

After the initial period, the term of the franchise shall either:

(i) continue without limit of period, unless earlier terminated by either party on not less than 6 months written notice; or

(ii) continue for a further period of 10 years, if extended by THSB by a 9 months' advance written notice to TH (Brandco).

(3) Payment obligations of THSB

In relation to the Tune Hotel KLIA2

TPSB shall pay to TH (Brandco), amongst others, the following:

(i) franchise and marketing fee calculated based on 6% of the total Room Revenue, which shall be paid monthly; and

(D) FRANCHISE AGREEMENTS (cont'd)

(ii) Transaction fee calculated based on the actual cost to TH (Brandco), which shall be paid monthly together with the payment of the franchise and marketing fee,

and shall be deducted directly from the room booking proceeds received by TH (Brandco).

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

THSB shall pay to TH (Brandco), amongst others, the following:

(i) franchise and marketing fee calculated based on 4% of Room Revenue, which shall be paid monthly; and

(ii) Transaction fee calculated based on £0.20 per transaction, which shall be paid monthly together with the payment of the franchise and marketing fee,

and shall be deducted directly from the room booking proceeds received by TH (Brandco).

"**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 night of reservations made through the franchise system.

(4) Termination

In relation to the Tune Hotel KLIA2

(i) 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.

(ii) TH (Brandco) may terminate the franchise agreement at any time forthwith by written notice to THSB if, amongst others, the hotel management agreement for Tune Hotel KLIA2 is terminated due to breach by TPSB, TPSB undergoes any change of control other than to an associated company without first obtaining the written approval of TH (Brandco), or where the KLIA2 Concession Agreement is terminated due to default of TPSB.

(iii) The franchise agreement shall automatically be terminated on the same date of termination of the KLIA2 Concession Agreement if TPSB receives notice of termination from MAP pursuant to the relevant provisions of the KLIA2 Concession Agreement or the government directs that the KLIA2 Concession Agreement be terminated pursuant to the relevant provision in the KLIA2 Concession Agreement.

(D) FRANCHISE AGREEMENTS (cont'd)

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

(i) 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.

(ii) TH (Brandco) may terminate the franchise agreement at any time forthwith by written notice to THSB if, amongst others, THSB is in breach of any other agreement with TH (Brandco) giving TH (Brandco) the right to terminate such agreement, THSB undergoes any material change of ownership or control, or THSB fails to achieve the minimum net sales target set (unless TH (Brandco) is satisfied that the non-achievement has resulted from any cause beyond THSB's reasonable control).

(iii) Where TH (Brandco) has a right to terminate the franchise agreement, TH (Brandco) may at its option elect not to terminate the franchise agreement but convert the license granted to THSB from an exclusive grant to a non-exclusive grant.

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(E) HOTEL MANAGEMENT AGREEMENTS

(1) Management of hotel

In relation to the Tune Hotel KLIA 2

TPSB engages TH Management to provide hotel management expertise and services in the day-to-day management and overall business operations of Tune Hotel KLIA2 in accordance to the provisions of the hotel management agreement.

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

THSB engages and appoints TH Management pursuant to the terms of the respective hotel management agreement, to operate and manage the hotel entities in accordance to the provisions of the respective hotel management agreements.

(2) Term

In relation to the Tune Hotel KLIA 2

The term of the agreement shall commence on 5 April 2013 and unless earlier terminated pursuant to the termination provisions of the hotel management agreement, shall continue for the duration of the concession period under the KLIA2 Concession Agreement.

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

Unless otherwise terminated in accordance with the termination provisions of the respective hotel management agreement, the term of the respective service agreement is:

(i) in relation to Tune Hotel Penang, for a period commencing on 1 January 2011 or the date of opening of Tune Hotel Penang, whichever is later, and expire or terminate concurrently with the franchise agreement for Tune Hotel Penang;

(ii) in relation to Tune Hotel KK, for a period commencing on 1 January 2011 or the date of opening of Tune Hotel KK, whichever is later, and expire or terminate concurrently with the franchise agreement for Tune Hotel KK; and

(iii) in relation to Tune Hotel KLIA Aeropolis, for a period commencing on 1 January 2011 or the date of opening of Tune Hotel KLIA Aeropolis, whichever is later, and expire or terminate concurrently with the franchise agreement for Tune Hotel KLIA Aeropolis.

(3) Payment obligations

In relation to the Tune Hotel KLIA2

TPSB shall pay to TH Management, amongst others, the following:

(i) management fees calculated based on 1% of the Room Revenue;

(ii) centralised services fees calculated at cost; and

(E) HOTEL MANAGEMENT AGREEMENTS (cont'd)

(iii) franchise services fees for franchise services such as payment gateway/channel services, loyalty programme and online management tools. The fees for such franchisee services are calculated based on the agreed rate for every franchise services.

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

THSB shall pay to TH Management management fees, calculated based on 2.5% of total Room Revenue (excluding service charge). In the event that the hotel entity achieves performance benchmarks agreed between the parties, an additional incentive fee of 2% shall be payable.

(4) Termination

In relation to the Tune Hotel KLIA2

(i) The parties agree that if:

(a) the KLIA2 Concession Agreement is terminated;

(b) TPSB receives a notice of termination from MAP pursuant to KLIA2 Concession Agreement; and/or

(c) there is a government direction that the KLIA2 Concession Agreement be terminated and/the concession area (as defined in the KLIA2 Concession Agreement) to be reclaimed by the Federal Land Commissioner,

then the hotel management agreement shall be automatically terminated as of the date of termination of the KLIA2 Concession Agreement.

(ii) Upon the recurrence of the event of default under the hotel management agreement, the non-defaulting party may:

(a) forthwith terminate the hotel management agreement without penalty; and

(b) pursue any and all other remedies available to the non-defaulting party at law or in equity.

(iii) The hotel management agreement shall be terminated with immediate effect upon the expiry or termination of the franchise agreement for Tune Hotel KLIA2.

(E) HOTEL MANAGEMENT AGREEMENTS (cont'd)

In relation to the Tune Hotel Penang, the Tune Hotel KK and the Tune Hotel KLIA Aeropolis

(i) Upon the occurrence of an event of default and failure to cure, (if such right to cure is provided in the hotel management agreement), the non-defaulting party may: (i) 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 (ii) pursue any and all other remedies available to the non-defaulting party at law or in equity.

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(F) SERVICE AGREEMENTS

(1) Provision of services

THSB appoints TH Management to provide hotel support services to Tune Hotel Penang, Tune Hotel KK and Tune Hotel KLIA Aeropolis in accordance to the provisions of the respective service agreement. The hotel support services include, amongst others, the following:

(i) induction training for employees employed by THSB for hotels;

(ii) all advertising and promotion activities of the hotels; and

(iii) pricing and revenue management.

(2) Term

Unless otherwise terminated in accordance with the termination provisions of the respective service agreement, the term of the respective service agreement is:

(i) in relation to Tune Hotel Penang, for a period commencing 12 November 2009 and expire or terminate concurrently with the franchise agreement for Tune Hotel Penang;

(ii) in relation to Tune Hotel KK, for a period commencing 25 November 2009 and expire or terminate concurrently with the franchise agreement for Tune Hotel KK; and

(iii) in relation to Tune Hotel KLIA Aeropolis, for a period commencing from 12 November 2009 and expire or terminate concurrently with the franchise agreement for Tune Hotel KLIA Aeropolis.

(3) Payment obligations of THSB

THSB shall pay to TH Management, amongst others, the following:

(i) advertising and promotion fee, calculated based on 2% of Room Revenue;

(ii) revenue service fee;

(iii) credit card merchant fee, calculated based on 3% of the total value of transaction or any other rate indicated by the relevant authorities;

(iv) direct debit fee, calculated at cost;

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

(vi) other distribution channel, such as SMS, Credit Card Transaction Fees.

(F) SERVICE AGREEMENTS (cont'd)

(4) Termination

(i) TH Management may terminate the service agreement by written notice in the event THSB 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 TH Management of such failure.

(ii) 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.

(iii) 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.

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(A) FLINDERS LANE PROPERTY

Title no.	Certificate of Title Volume 11654 Folio 032, being more particularly described as Lots 1 and 2 on Title Plan 161650U (Parent Title 09148 Folio 436)
Mukim, District, State	540 Flinders Street 7, 539-545 Flinders Lane, Melbourne, Victoria, 3000
Land area	1,741 square metres (18,740 square feet)
Gross built up area	Not applicable
Lettable space	22,570 square feet
Lettable space available for letting and the occupancy	21,710 square feet
Occupancy rate	Unoccupied
Category of land use	Office
Existing and proposed usage	Currently vacant. Planned for proposed redevelopment into a hotel
Terms of tenure	Freehold interests “As Is” with Vacant Possession
Registered owner	TP International as trustee for TP (Flinders)
Restriction in interest	Nil
Express conditions	Nil
Encumbrances	Caveat registered under instrument AM842248M dated 8th June, 2016 in favour of TP International claiming an interest in the freehold estate pursuant to agreement with the registered proprietors dated 3rd June, 2016
Net book value based on the latest audited financial statements as at 30 September 2016	AUD19,599,145/RM61,997,975[(1)]

Note:

(1) Translated at the exchange rate as at 30 September 2016 of AUD1.00:RM3.1633

(B) TUNE HOTEL PENANG

Title no.	Geran 63526/Lot 426 and Geran 11256/Lot 348
Mukim, District, State	Seksyen 15, Bandar George Town, Daerah Timor Laut, Negeri Pulau Pinang
Land area	22,103 square feet
Gross floor area	95,629 square feet
Lettable space	Not applicable
Lettable space available for letting and the occupancy	Not applicable
Occupancy rate	Not applicable
Category of land use	Nil
Existing and proposed usage	Currently used as a budget hotel (with 1-star certification by the Ministry of Tourism Malaysia)
Terms of tenure	Freehold
Registered owner	THSB
Restriction in interest	Nil

(B) TUNE HOTEL PENANG (cont'd)

Express conditions	The land comprised in this title: (i) shall not be affected by any provision of the National Land Code limiting the compensation payable on the exercise by the State Authority of a right of access or use conferred by Chapter 3 of Part Three of the Code or on the creation of a Land Administrator's right of way; and (ii) subject to the implied condition that land is liable to be re-entered if it is abandoned for more than three years, shall revert to the State only if the proprietor for the time being dies without heirs; and the title shall confer the absolute right to all forest produced and to all oil, mineral and other natural deposits on or below the surface of the land (including the right to work or extract any such produce or deposit and remove it beyond the boundaries of the land).
Encumbrances	Charged to Public Bank Berhad via Presentation No. 0799SC2014048459, registered on 30 December 2014
Approximate age of building	8 years
Net book value as at 30 September 2016 (RM)	27,266,359[(1)]
Revenue FYE 30 September 2016 (RM)	3,687,733[(1)]
Gross profit FYE 30 September 2016 (RM)	2,888,995[(1)]
Net loss FYE 30 September 2016 (RM)	(1,284,105)[(1)]

Note:

(1) Financial information derived from the audited financial statements of THSB for FYE 30 September 2016.

(C) TUNE HOTEL KK

Summary of Master Title Details	
Master Title no.	Country Lease 015607057
Mukim, District, State	Locality of Kuala Menggatal, District of Kota Kinabalu, Sabah
Terms of tenure	99-year leasehold term expiring on 31 December 2103
Registered owner / Developer	Pertubuhan Islam Seluruh Sabah / Sagajuta (Sabah) Sdn Bhd
Lettable space	Not applicable
Lettable space available for letting and the occupancy	Not applicable
Occupancy rate	Not applicable
Category of land use	Residential and commercial
Restriction in interest	Not applicable
Address	Unit No. G-803 & F-803 & S-803 & T-803, Ground Floor to Third Floor, 1 Borneo, Off Jalan UMS, 88450 Kota Kinabalu, Sabah
Existing usage	Currently used as a budget hotel (with 1-star certification by the Ministry of Tourism Malaysia)
Beneficial owner	THSB By virtue of four (4) respective principal sale and purchase agreement dated 22 May 2007 between Sagajuta (Sabah) Sdn Bhd, Pertubuhan Islam Seluruh Sabah and THSB

(C) TUNE HOTEL KK (cont'd)

Express conditions	Special Terms: The said land is demised herein expressly and only for the purpose of erecting thereon for use of such commercial and residential buildings. Subdivision of this title is prohibited without the written permission from the Director of Lands and Surveys who shall impose additional premium and enhanced rent and any other conditions thereof while granting such permission. Transfer, sublease or charge of this title is prohibited without the written permission from the Director of Lands and Surveys Department who will charge additional premium and enhanced rent while granting such permission. The Owner Covenants: To complete before month 01 of year 2011 (month January of year two thousand and eleven) the construction on the said land of a building in accordance with the terms and conditions contained herein and with the plans and specifications submitted to and approved by the authority under the Local Government Ordinance, (and Town and Country Planning Ordinance) having jurisdiction over the said land. At all times to maintain and keep in tenantable conditions and good repair of the building/s erected or to be erected on the said land to the satisfaction of the Local Authority under the Local Government Ordinance (and Town and Country Planning Ordinance) having jurisdiction over the said land and that in the event of the total or partial destruction of any of the said buildings, to repair, reinstate and rebuild in accordance with the last plans and specifications submitted to and approved by the Local Authority
Encumbrances	The interests under the agreement have been assigned by THSB to Public Bank Berhad, Section 14 Branch, No. 12, 14 & 16, Jalan 14/14, Section 14, 46100 Petaling Jaya, Selangor Darul Ehsan vide the respective Deed of Assignment and Power Attorney dated 9 February 2015 for loan facilities rendered
Total Floor Area	3,946.99 square metres
Approximate age of building	9 years
Net book value as at 30 September 2016 (RM)	10,945,605[(1)]
Revenue FYE 30 September 2016 (RM)	2,163,409[(1)]
Gross profit FYE 30 September 2016 (RM)	1,723,659[(1)]
Net loss FYE 30 September 2016 (RM)	(466,808)[(1)]

Note:

(1) Financial information derived from the audited financial statements of THSB for FYE 30 September 2016.

(D) BANGUNAN ECM LIBRA

Title no.	Geran No. 26884, Lot 8931
Mukim, District, State	Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Land area	4,218.31 square metres (45,405 square feet) in respect of the whole Bangunan ECM Libra
Gross built up area	Approximately 20,521.2 square metres (220,888 square feet) in respect of the whole Bangunan ECM Libra
Lettable space	39,858 square feet (in relation to the East Wing and Centre Wing), which is the subject property of the Proposed Bangunan ECM Libra Disposal
Lettable space available for letting and the occupancy	30,179 square feet (excluding space occupied by ECMLFG Group) as at the LPD
Occupancy rate	92% (excluding space occupied by ECMLFG Group) as at the LPD
Category of land use	Bangunan
Existing and proposed usage	Existing – Office and commercial space (Ground floor) and Office (other levels) Proposed – as per existing
Terms of tenure	Freehold
Registered owner	ECMLFG
Restriction in interest	Nil
Express conditions	"Tanah ini hendaklah digunakan hanya untuk tapak perdagangan bagi tujuan pejabat sahaja"
Encumbrances	Save and except for the various tenancies, the land and building is free from encumbrances
Approximate age of building	19 years
Net book value based on the latest audited financial statements of ECMLFG Group as at 31 December 2016 (RM)	20,663,274

(E) SEMI-D PROPERTY

Title no.	Geran No. 78441, Lot 13115
Mukim, District, State	Mukim Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur
Land area	577.002 square metres (6,211 square feet)
Gross built up area	206.71 square metres (2,225 square feet)
Lettable space	Not applicable
Lettable space available for letting and the occupancy	Not applicable
Occupancy rate	Unoccupied
Category of land use	Bangunan
Existing and proposed usage	Vacant
Terms of tenure	Freehold
Registered owner	ECMLFG
Restriction in interest	Nil
Express conditions	Nil
Encumbrances	Nil
Approximate age of building	31 years
Net book value based on the latest audited financial statements of ECMLFG Group as at 31 December 2016 (RM)	4,010,646

1. HISTORY AND PRINCIPAL ACTIVITIES

TPSB was incorporated in Malaysia as a private limited company on 27 May 2011.

TPSB is principally involved in constructing, managing and operating Tune Hotel KLIA2 under the KLIA2 Concession Agreement.

2. SHARE CAPITAL

The issued share capital of TPSB as at the LPD is RM10,000,000 comprising 10,000,000 ordinary shares.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, TPSB does not have any subsidiary or associated company.

4. DIRECTORS

The particulars of the directors of TPSB and their shareholdings in TPSB as at the LPD are as follows:

		Direct		Indirect	
Name	**Nationality**	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
Christopher Mark Anthony Lankester	Malaysian	-	-	-	-
Gareth Lim Tze Xiang	Malaysian	-	-	-	-
Oh Teik Khim (Alternate director to Gareth Lim Tze Xiang)	Malaysian	-	-	-	-
Navinderjeet Singh A/L Naranjan Singh (Alternate director to Christopher Mark Anthony Lankester)	Malaysian	-	-	-	-

5. SUBSTANTIAL SHAREHOLDER

The particulars of the substantial shareholder of TPSB and its shareholding in TPSB as at the LPD are as follows:

		Direct		Indirect	
Name	**Country of Incorporation**	**No. of ordinary shares**	**%**	**No. of ordinary shares**	**%**
TPRE	Singapore	10,000,000	100.0	-	-

Information relating to TPRE is set out in **Section 3.5** of this Circular.

6. HISTORICAL FINANCIAL INFORMATION

The summary of the key financial information of TPSB based on its audited financial statements for the past 3 FYE up to 30 September 2016 is set out below:

	Audited for FYE 30 September		
	2014	**2015**	**2016**
	RM'000	***RM'000***	***RM'000***
Revenue	7,655	23,042	26,893
Profit/(loss) before tax	413	3,842	7,455
Profit/(loss) after tax	712	2,359	5,387
Paid-up capital	10,000	10,000	10,000
Shareholders' funds / NA	10,581	12,940	18,327
No. of shares	10,000	10,000	10,000
EPS (in sen)	7.1	23.6	53.9
NA per share (RM)	1.06	1.29	1.83
Total borrowings	46,372	48,308	42,532
Current ratio (times)	0.19	0.53	0.67
Gearing (times)	4.38	3.73	3.73

Commentary:

FYE 30 September 2014

TPSB commenced its operation in May 2014 and recorded revenue of RM7.7 million and PAT of RM0.7 million during its first year of operation.

FYE 30 September 2015

TPSB's revenue and PAT increased by 201.0% and 231.5% respectively from 2014 to 2015 mainly due to recognising the full year contribution from hotel operations.

FYE 30 September 2016

TPSB's revenue and PAT increased by 16.7% and 128.4% respectively from 2015 to 2016 mainly due to increase in occupancy and average room rates.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

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

7.2 Contingent liabilities

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

8. MATERIAL CONTRACTS

Save as disclosed below, TPSB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years preceding the LPD.

(i) TPSB issued a letter of award on 31 October 2017 to Pro Primedge Design Sdn Bhd (who accepted the same on 1 November 2017) for the appointment of Pro Primedge Design Sdn Bhd to undertake refurbishment works at Tune Hotel KLIA2 to be completed by January 2018 for a contract sum of approximately RM2.9 million.

9. MATERIAL LITIGATION

As at the LPD, TPSB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and TPSB does not have any knowledge of any such proceedings, pending or threatened against TPSB or of any facts which is likely to give rise to any such proceedings which may affect the position or business of TPSB.

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TP Sepang Sdn. Bhd.
(946411-T)

Management Office
2nd Floor,
Bangunan ECM Libra,
8 Jalan Damansara Endah,
Damansara Heights,
50490 Kuala Lumpur,
Malaysia.

+603-2082 5799
+603-2092 3407
tunehotels.com

Date: 14 NOV 2017

Board of Directors
ECM Libra Financial Group Berhad
2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

PROPOSED ACQUISITION BY ECM LIBRA FINANCIAL GROUP BERHAD OF 50% EQUITY INTEREST IN TP SEPANG SDN BHD

On behalf of the Board of Directors of TP Sepang Sdn Bhd ("**Board**"), I wish to report that after making due enquiries in relation to the period between 30 September 2016, being the date on which the last audited financial statement of TP Sepang Sdn Bhd have been made up, and up to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this circular by ECM Libra Financial Group Berhad to its shareholders, that:

(a) Tbe business of TP Sepang Sdn Bhd has, in the opinion of the Board, been satisfactorily maintained;

(b) In the opinion of the Board, no circumstances have arisen since the last audited financial statements of TP Sepang Sdn Bhd, which have adversely affected the trading or the value of the assets of TP Sepang Sdn Bbd;

(c) The current assets of TP Sepang Sdn Bhd appears in the books at values which are believed to be realisable in the ordinary course of business;

(d) There are no contingent liabilities by reason of any guarantees or indemnities given by TP Sepang Sdn Bhd;

(e) There has been, since the last audited financial statements of TP Sepang Sdn Bhd, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings of TP Sepang Sdn Bhd; and

(f) Since the last audited financial statements of TP Sepang Sdn Bhd, there bas been no material change in the published reserves or any unusual factors affecting the profits of TP Sepang Sdn Bhd.

Yours faithfully,
For and on behalf of the Board of
TP Sepang Sdn Bhd

Gareth Lim Tze Xiang
Director

Christopher Mark Anthony Lankester
Director

EY
Building a better working world

TP SEPANG SDN. BHD.

(946411-T)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
30 September 2016

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Contents **Page**

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Directors' report

The directors hereby present their report together with the financial statements of the Company for the financial year ended 30 September 2016.

Principal activities

The principal activities of the Company are to construct, manage and operate a hotel. There have been no significant change in the nature of principal activities during the financial year.

Results

	RM
Profit for the year	5,387,088

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Company during the financial year was not substantially affected by any item, transaction or event of a material and unusual nature.

Dividends

No dividend has been declared or paid by the Company since the end of the previous financial period and the directors do not recommend any dividend for the current financial year.

Directors

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Christopher Mark Anthony Lankester	
Gareth Lim Tze Xiang	
Oh Teik Khim (Alternate director to Gareth Lim Tze Xiang)	
Navinderjeet Singh A/L Naranjan Singh (Alternate director to Christopher Mark Anthony Lankester)	(appointed on 1 December 2015)
Shireen Chia Yin Ting (Alternate director to Christopher Mark Anthony Lankester)	(resigned on 1 December 2015)

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by the means of acquisition of shares in or debentures of the Company or any other body corporate, other than the share options granted pursuant to the Senior Management and Selected Individuals Share Option ("Share Option") of the related company, Tune Hotels.Com Limited.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the fixed salary of a full time employee from a related corporation) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in Note 25 to the financial statements.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

Related company

	Number of ordinary shares of USD0.35 each			
	At 1 October 2015	Acquired	Sold	At 30 September 2016
Tune Hotels.Com Limited				
Direct interest:				
Christopher Mark Anthony Lankester	163,689	-	-	163,689

	Number of options over ordinary shares of USD0.01 each			
	At 1 October 2015	Granted	Exercised	At 30 September 2016
Tune Hotels.Com Limited				
Christopher Mark Anthony Lankester	444,444	-	-	444,444

The Share Option was approved by shareholders via a Members' Circular Resolution dated on 26 March 2008. The Share Option is effective throughout the duration of the individual's employment with Tune Hotels.Com Limited.

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Directors' interests (cont'd.)

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) it necessary to write off any bad debts or to the amount of the provision for doubtful debts inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

  (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

  (ii) any contingent liability of the Company which has arisen since the end of the financial year.

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Other statutory information (cont'd.)

(f) In the opinion of the directors:

(i) subject to the continuous financial support of its holding company, no contingent or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

(g) As at 30 September 2016, the Company's current liabilities exceeded its current assets by RM4,969,894. The Company relies on its holding company for continued financial support and has obtained an undertaking from the holding company to enable it to meet its obligations and liabilities as and when they fall due so as to operate as a going concern.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors dated 31 March 2017.

Oh Teik Khim

Navinderjeet Singh A/L Naranjan Singh

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Oh Teik Khim and Navinderjeet Singh A/L Naranjan Singh, being two of the directors of TP Sepang Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 8 to 47 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 30 September 2016 and of its financial performance and cash flows of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 31 March 2017.

Oh Teik Khim

Navinderjeet Singh A/L Naranjan Singh

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, Oh Teik Khim, being the director primarily responsible for the financial management of TP Sepang Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 47 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Oh Teik Khim
at Kuala Lumpur in the Federal Territory
on 31 March 2017.

Oh Teik Khim

Before me,

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

EY
Building a better working world

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946411-T

Independent auditors' report to the member of
TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of TP Sepang Sdn. Bhd., which comprise the statement of financial position as at 30 September 2016 and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year ended 30 September 2016, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 47.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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946411-T

Independent auditors' report to the member of
TP Sepang Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 2016 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young	H'ng Boon Keng
AF: 0039	No. 03112/08/2018 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur, Malaysia
31 March 2017

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Statement of comprehensive income
For the financial year ended 30 September 2016

	Note	2016 RM	2015 RM
Revenue	4	26,893,059	23,041,897
Other income	5	1,164,058	1,495,461
Cost of ancilliary services		(3,369,810)	(2,962,473)
Administrative expenses		(4,678,999)	(4,690,961)
Other operating expenses		(2,829,831)	(2,570,912)
Employee benefits expense	8	(940,567)	(957,203)
Depreciation and amortisation		(5,268,008)	(5,291,920)
Profit from operations		10,969,902	8,063,889
Finance costs	6	(3,515,217)	(4,221,703)
Profit before tax	7	7,454,685	3,842,186
Income tax expense	9	(2,067,597)	(1,483,103)
Net profit for the year, representing total comprehensive income for the year		5,387,088	2,359,083

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 30 September 2016

	Note	2016 RM	2015 RM Restated	2014 RM Restated
Assets				
Non-current assets				
Property and equipment	10	3,423,591	4,972,862	6,692,947
Intangible assets	11	40,434	43,647	46,861
Prepaid lease	12	57,609,206	60,881,005	64,533,004
Deferred tax assets		-	-	322,416
		61,073,231	65,897,514	71,595,228
Current assets				
Inventories	13	111,667	80,264	183,322
Trade receivables	14	1,969,753	4,982,667	2,602,358
Other receivables	16	1,226,439	864,223	666,790
Cash and bank balances	17	6,973,024	4,915,163	662,979
		10,280,883	10,842,317	4,115,449
Total assets		71,354,114	76,739,831	75,710,677
Equity and liabilities				
Share capital	18	10,000,000	10,000,000	10,000,000
Retained earnings	24	8,326,949	2,939,861	580,778
Total equity		18,326,949	12,939,861	10,580,778
Non-current liabilities				
Deferred tax liabilities	23	1,002,071	981,497	-
Loans and borrowings	19	36,774,317	42,539,200	43,689,517
		37,776,388	43,520,697	43,689,517
Current liabilities				
Deferred revenue	20	951,597	1,838,865	652,564
Provision for taxation		1,071,605	158,129	1,716
Loans and borrowings	19	5,758,064	5,768,751	2,682,792
Trade payables	21	160,363	53,949	87,445
Other payables	22	4,599,264	4,749,695	8,305,981
Amount due to immediate holding company	15	2,709,884	7,709,884	9,709,884
		15,250,777	20,279,273	21,440,382
Total liabilities		53,027,165	63,799,970	65,129,899
Total equity and liabilities		71,354,114	76,739,831	75,710,677

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 30 September 2016

	Non Distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
At 1 October 2014	10,000,000	580,778	10,580,778
Total comprehensive income for the year	-	2,359,083	2,359,083
At 30 September 2015	10,000,000	2,939,861	12,939,861
At 1 October 2015	10,000,000	2,939,861	12,939,861
Total comprehensive income for the year	-	5,387,088	5,387,088
At 30 September 2016	10,000,000	8,326,949	18,326,949

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 30 September 2016

	2016 RM	2015 RM Restated
Cash flows from operating activities		
Profit before tax	7,454,685	3,842,186
Adjustment for:		
Prepaid lease written off	-	338,356
Amortisation of intangible assets	3,213	3,214
Amortisation of prepaid lease	3,322,493	3,313,644
Depreciation of property and equipment	1,942,302	1,975,062
Interest income	(237,290)	(99,361)
Reverse of realised (gain)/loss on foreign exchange	(49,966)	1,677
Reversal of impairment loss on trade receivables	(2,000)	-
Interest expense	3,515,217	4,221,703
Impairment loss on trade receivables	360,863	545,699
Operating profit before working capital	16,309,517	14,142,180
(Increase)/decrease in inventories	(31,403)	103,058
Decrease/(increase) in trade receivables	2,702,569	(2,926,008)
Increase in other receivables	(360,124)	(197,433)
(Decrease)/increase in deferred revenue	(887,268)	1,186,301
Increase/(decrease) in trade payables	106,414	(33,496)
(Decrease)/increase in other payables	(151,075)	303,678
Cash generated from operations	17,688,630	12,578,280
Interest received	237,290	99,361
Interest paid	(3,515,217)	(4,221,703)
Income tax paid	(1,133,547)	(22,777)
Net cash flows from operating activities	13,277,156	8,433,161
Cash flows from investing activities		
Purchase of property and equipment	(393,031)	(254,977)
Subsequent expenditure on the leased asset	(50,694)	-
Net cash flows used in investing activities	(443,725)	(254,977)
Cash flows from financing activities		
Repayment of loans and borrowings	(5,775,570)	(1,926,000)
Repayment of advances from holding company	(5,000,000)	(2,000,000)
Net cash flows used in financing activities	(10,775,570)	(3,926,000)
Net increase in cash and cash equivalents	2,057,861	4,252,184
Cash and cash equivalents at beginning of year	4,915,163	662,979
Cash and cash equivalents at end of the year (Note 17)	6,973,024	4,915,163

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

Notes to the financial statements
For the financial year ended 30 September 2016

1. Corporate information

The Company is a private limited liability company incorporated and domiciled in Malaysia. The registered office of the Company is located at B-13-15, Level 13, Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan.

The ultimate and holding company is TP Real Estate Holdings Pte Ltd, which is incorporated and domiciled in Singapore. TP Real Estate Holdings Pte Ltd is a joint venture set up by its two shareholders, Tune Hotels.Com Limited, a company incorporated in Labuan and Plato Capital Limited, a public company incorporated in Singapore and listed on Singapore Exchange Limited.

The principal activities of the Company are to construct, manage and operate a hotel.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below and comply with Malaysian Financial Reporting Standards ("MFRSs") as issued by Malaysian Accounting Standard Board ("MASB"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM").

As at 30 September 2016, the Company's current liabilities exceeded its current assets by RM4,969,894. The directors have prepared cash flow forecast for the foreseeable future, being at least 12 months from the date of approval of these financial statements, which indicate that the Company will be able to generate sufficient cashflows from its operation to meet its current liabilities. In addition, ultimate holding company has agreed to provide the Company with financial support to meet its liabilities as they fall due.

The directors concluded that it is appropriate to prepare the financial statements on a going concern basis.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2.3 Standards issued but not yet effective

The standards that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intend to adopt these standards, if applicable, when they become effective.

Effective for annual periods beginning on or after 1 January 2016

Annual Improvements to MFRSs 2012 – 2014 Cycle	
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception
MFRS 14	Regulatory Deferral Accounts

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

Effective for annual periods beginning on or after 1 January 2017

Amendments to MFRS 107	Diclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax for Unrealised Losses

Effective for annual periods beginning on or after 1 January 2018

Amendments to MFRS 2	Classification and Measurement of Shared-based Payment Transactions
MFRS 15	Revenue from Contracts with Customers
MFRS 9	Financial Instruments

Effective for annual periods beginning on or after 1 January 2019

MFRS 16	Leases

Deferred

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application other than as disclosed below:

MFRS 15: Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

MFRS 15: Revenue from Contracts with Customers (cont'd.)

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual years beginning on or after 1 January 2018 with early adoption permitted. The Directors anticipate that the application of MFRS 15 may have a material impact on the amounts reported and disclosures made in the Company's financial statements. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 9 : Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual years beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 may have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

2. Summary of significant accounting policies (cont'd.)

2.4 Current versus non-current classification

Assets and liabilities in the statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Summary of significant accounting policies (cont'd.)

2.5 Fair value measurement (cont'd.)

Valuation techniques that are appropriate in the circumstances and for which sufficient data are available, are used to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Policies and procedures are determined by senior management for both recurring fair value measurement and for non-recurring measurement.

External valuers are involved for valuation of significant assets and significant liabilities. Involvement of external valuers is decided by senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case.

2. Summary of significant accounting policies (cont'd.)

2.6 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Franchise licences

Franchise licences were acquired separately and represent the franchise fees paid to acquire the "Tune Hotels" franchise. The franchise licences are amortised on a straight line basis over its finite useful life of 15 years.

2. Summary of significant accounting policies (cont'd.)

2.7 Property and equipment

All items of property and equipment are initially recorded at cost. The cost of an item of property and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Subsequent to recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property and equipment are required to be replaced in intervals. The Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Office equipment	4 years
Room fittings	1 - 4 years
Other equipment	3 - 5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is dercognised.

2. Summary of significant accounting policies (cont'd.)

2.8 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value for both saleable merchandise and operating supplies, with cost being determined on the first in, first out basis. Cost includes actual cost of materials and incidentals in bringing stocks into store.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of their financial assets at initial recognition. Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

2. Summary of significant accounting policies (cont'd.)

2.10 Financial assets (cont'd.)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.11 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss except for receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable become uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases as a result of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd.)

2.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Financial liabilities

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified according to the substance of the contractual agreements entered into and the definitions of a financial liability.

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. A financial liability is derecognised when the obligation under the liability is extinguished and the resulting gains or losses are recognised in profit or loss.

2.14 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Summary of significant accounting policies (cont'd.)

2.15 Income taxes

a) Current tax

Current tax is measured at the amount expected to be recovered from or paid to the taxation authorities using tax rates and tax laws that are enacted or substantively enacted by the reporting date. Current taxes are recognised in profit or loss.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. Summary of significant accounting policies (cont'd.)

2.15 Income taxes (cont'd.)

b) Deferred tax (cont'd.)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

2.16 Leases

As lessee

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd.)

2.16 Leases (cont'd.)

Prepaid lease - as lessee

Prepaid lease is measured on initial recognition at cost. Following initial recognition, hotel operation rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Prepaid lease is amortised on a straight line basis over the estimated useful lives which is over the period of the remaining concession term after completion of hotel construction, up to 31 January 2034.

Prepaid lease is amortised only when they are available for use.

The carrying values of prepaid lease is reviewed for impairment whenever there is an indication that intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on prepaid with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the hotel operation rights.

Gains or losses arising from de-recognition of a prepaid lease are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is de-recognised.

2.17 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Income from hotel operations

Revenue from room rental and other related services is recognised when services are rendered.

(b) Interest income

Interest income is recognised using the effective interest method on an accrual basis.

(c) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

2. Summary of significant accounting policies (cont'd.)

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

2.19 Foreign currency

(a) Functional and presentation currency

The financial statements of the Company measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Company are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Company's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Company on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. Summary of significant accounting policies (cont'd.)

2.20 Deferred revenue

Deferred revenue represents the amount of hotel room rental received in advance from customers. Deferred revenue is recognised in profit or loss over the period when the related services are rendered.

2.21 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3. Significant accounting estimates and judgements

3.1 Judgements made in applying accounting policies

There are no significant judgements made by management in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) **Useful life of property and equipment**

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescences and legal or other limits on the use of the relevant assets.

3. Significant accounting estimates and judgements (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(a) Useful life of property and equipment (cont'd.)

In addition, the estimation of the useful lives of property and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimate of useful lives and residual values of property and equipment brought about by changes in factors mentioned above. The Company also performs annual review of the assumptions made on useful lives and residual values to ensure that they continue to be valid.

The carrying amount of the Company's property and equipment at the reporting date is disclosed in Note 10. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 3.57% (2015: 6.89%) variance in the Company's profit for the year.

(b) Impairment of loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivables at the reporting date is disclosed in Notes 14 and 16.

(c) Deferred tax

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depends on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statements of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

4. Revenue

	2016 RM	2015 RM
Income from hotel operations	26,893,059	23,041,897

5. Other income

	2016 RM	2015 RM
Interest income	237,290	99,361
Rental income	161,200	679,103
Car park income	620,255	707,087
Miscellaneous	145,313	9,910
	1,164,058	1,495,461

6. Finance costs

	2016 RM	2015 RM
Interest expense on:		
- Term loan	3,509,242	4,209,971
- Finance lease	5,975	11,732
	3,515,217	4,221,703

7. Profit before tax

	2016 RM	2015 RM
The following amounts have been included in arriving at profit before tax:		
Auditors' remuneration		
- current year	17,400	19,200
- over provision in prior years	-	(1,040)
Interest expense (Note 6)	3,515,217	4,221,703
Interest income (Note 5)	(237,290)	(99,361)
Realised (gain)/loss on foreign exchange	(49,966)	1,677
Amortisation of intangible assets (Note 11)	3,213	3,214
Amortisation of prepaid lease (Note 12)	3,322,493	3,313,644
Depreciation of property and equipment (Note 10)	1,942,302	1,975,062
Impairment loss on trade receivables (Note 14)	360,863	545,699
Reversal of impairment loss on trade receivables (Note 14)	(2,000)	-

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

8. Employee benefits expense

	2016 RM	2015 RM
Wages and salaries	709,307	773,914
Pension costs - defined contribution plans	83,248	83,323
Social security costs	10,548	10,724
Other staff related expenses	137,464	89,242
	940,567	957,203

9. Income tax expense

	2016 RM	2015 RM
Income tax:		
- Malaysian income tax	2,196,688	174,505
- (Over)/underprovision in prior years	(149,665)	4,685
	2,047,023	179,190
Deferred tax (Note 23):		
- Origination and reversal of temporary differences	(291,253)	815,815
- Underprovision in prior years	311,827	488,098
	20,574	1,303,913
	2,067,597	1,483,103

Reconciliation between tax expense and accounting profit

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2016 RM	2015 RM
Profit before tax	7,454,685	3,842,186
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	1,789,124	960,547
Expenses not deductible for tax purposes	116,311	29,773
(Over)/under provision of income tax expense in prior years	(149,665)	4,685
Underprovision of deferred tax in prior years	311,827	488,098
Income tax expense for the year	2,067,597	1,483,103

10. Property and equipment

	Furniture and fittings RM	Office equipment RM	Room fittings RM	Other equipment RM	Total RM
At 30 September 2016					
Cost					
At 1 October 2015	6,114,573	254,540	1,270,765	43,304	7,683,182
Additions	-	19,150	312,600	61,281	393,031
At 30 September 2016	6,114,573	273,690	1,583,365	104,585	8,076,213
Accumulated depreciation					
At 1 October 2015	2,147,191	107,652	447,851	7,626	2,710,320
Charge for the year (Note 7)	1,529,601	80,319	311,223	21,159	1,942,302
At 30 September 2016	3,676,792	187,971	759,074	28,785	4,652,622
Net carrying amount	2,437,781	85,719	824,291	75,800	3,423,591

	Furniture and fittings RM	Office equipment RM	Room fittings RM	Other equipment RM	Total RM
At 30 September 2015					
Cost					
At 1 October 2014	6,097,353	85,828	1,245,024	-	7,428,205
Additions	17,220	168,712	25,741	43,304	254,977
At 30 September 2015	6,114,573	254,540	1,270,765	43,304	7,683,182
Accumulated depreciation					
At 1 October 2014	620,855	6,789	107,614	-	735,258
Charge for the year (Note 7)	1,526,336	100,863	340,237	7,626	1,975,062
At 30 September 2015	2,147,191	107,652	447,851	7,626	2,710,320
Net carrying amount	3,967,382	146,888	822,914	35,678	4,972,862

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

11. Intangible assets

	Hotel operation rights RM Restated	Franchise licenses RM	Total RM
Cost:			
At 1 October 2014 (as previously stated)	65,923,802	48,210	65,972,012
Write off	(338,356)	-	(338,356)
Reclassification to prepaid lease (Note 12)	(65,585,446)		(65,585,446)
At 1 October 2014 (as restated)	-	48,210	48,210
At 30 September 2015/1 October 2015/ 30 September 2016	-	48,210	48,210
Accumulated amortisation:			
At 1 October 2014 (as previously stated)	4,704,441	4,563	4,709,004
Reclassification to prepaid lease (Note 12)	(4,704,441)	-	(4,704,441)
At 1 October 2014 (as restated)	-	4,563	4,563
At 30 September 2015/1 October 2015		4,563	4,563
Amortisation charged for the year (Note 7)	-	3,213	3,213
At 30 September 2016	-	7,776	7,776
Net carrying amount:			
At 30 September 2015	-	43,647	43,647
At 30 September 2016	-	40,434	40,434

Hotel operation rights represents consideration paid for the rights to design, construct and operate a hotel which have been granted to the Company.

Capitalisation of borrowing costs

Intangible assets include borrowing costs arising from a term loan borrowed specifically for the purpose of the construction of a building. In the previous financial year, the borrowing costs capitalised as cost of intangible assets amounted to RM1,469,679 (2015: nil).

12. Prepaid lease

	Restated RM
Cost:	
At 1 October 2014 (as previously stated)	-
Reclassification from intangible asset (Note 11)	65,585,446
At 30 September 2015 / 1 October 2015 (as restated)	65,585,446
Addition	50,694
At 30 September 2016	65,636,140
Accumulated amortisation	
At 1 October 2014 (as previously stated)	-
Reclassification from intangible asset (Note 11)	4,704,441
At 30 September 2015 / 1 October 2015 (as restated)	4,704,441
Amortisation charged for the year (Note 7)	3,322,493
At 30 September 2016	8,026,934
Net carrying amount	
At 30 September 2015:	60,881,005
At 30 September 2016:	57,609,206

In the previous financial years, Malaysia Airports (Properties) Sdn. Bhd. ("MAP") and TP Sepang Sdn. Bhd. ("TP Sepang") entered into a concession agreement for the design, construction, operation management and maintenance of limited services hotel at the Kuala Lumpur International Airport for a period of 21 years and 11 months from 1 March 2012 to 31 January 2034 (the "Concession Agreement").

In accordance with the Concession Agreement, MAP will grant TP Sepang the right and authority to:

(a) design, construct, build, operate, maintain and manage the hotel on a built-operate-transfer model
(b) provide hotel services
(c) construct a link bridge connecting to the airport site complex
(d) use the concession area for permitted use.

(collectively, the "Hotel Operation Rights (HOR)")

12. Prepaid lease (cont'd.)

The costs associated with acquisition of the HOR were borne by TP Sepang and these amounts were capitalised as "Prepaid lease" in the consolidated balance sheets.

Assets pledged as security

The Company's prepaid lease with a carrying amount of RM57,609,206 (2015: RM60,881,005) are mortgaged to secure the Company's bank borrowings (Note 19).

13. Inventories

	2016 RM	2015 RM
At cost		
Finished goods	111,667	80,264

The cost of inventories recognised as an expense during the financial year amounted to RM 75,781 (2015: RM76,095).

14. Trade receivables

	2016 RM	2015 RM
Trade receivables	2,975,171	5,629,222
Less: Allowance for impairment	(1,005,418)	(646,555)
Trade receivables, net	1,969,753	4,982,667

Trade receivables are non-interest bearing and are on 30 days terms. Other credit terms are assessed and approved on a case-by-case basis.

The Company has no significant concentration of credit risk that may arise from exposure to a single debtor or to a group of debtors.

14. Trade receivables (cont'd.)

Aging analysis of trade receivables

The aging analysis of the Company's trade receivables is as follows:

	2016 RM	2015 RM
Neither past due nor impaired	881,502	1,737,553
1 to 30 days past due not impaired	280,986	485,486
31 to 60 days past due not impaired	221,758	405,028
61 to 90 days past due not impaired	268,806	255,883
91 to 120 days past due not impaired	156,433	50,070
More than 121 days past due not impaired	160,268	2,048,647
	1,088,251	3,245,114
Impaired	1,005,418	646,555
	2,975,171	5,629,222

Receivables that are neither past due nor impaired

Trade that are neither past due nor impaired are creditworthy debtors with good payment records with the Company. None of the Company's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Company has trade receivables amounting to RM1,088,251 (2015: RM3,245,114) that are past due at the reporting date but not impaired. The receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

The Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Individually impaired 2016 RM	2015 RM
Trade receivables-nominal amounts	1,005,418	646,555
Less: Allowance for impairment	(1,005,418)	(646,555)
	-	-

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

14. Trade receivables (cont'd.)

Movement in allowance accounts

	2016 RM	2015 RM
At 1 October 2015/2014	646,555	100,856
Charge for the year (Note 7)	360,863	545,699
Reversal during the year (Note 7)	(2,000)	-
At 30 September 2016/2015	1,005,418	646,555

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that is in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. Amount due to immediate holding company

	2016 RM	2015 RM
Immediate holding company	2,709,884	7,709,884

The amount due to immediate holding company is non-interest bearing and repayable on demand. The amount is unsecured and is to be settled in cash.

16. Other receivables

	2016 RM	2015 RM
Other receivables	433,445	89,144
Deposits	458,851	457,981
Prepayments	334,143	317,098
	1,226,439	864,223

17. Cash and bank balances

	2016 RM	2015 RM
Cash at banks	2,419,512	3,696,244
Cash on hand	7,000	7,000
Deposits placed with licensed banks	4,546,512	1,211,919
Cash and cash equivalents	6,973,024	4,915,163

17. Cash and bank balances (cont'd.)

The interest rate of deposit at the reporting date was 3.00% (2015: 3.45%) per annum. The remaining maturity period of the deposit as at the end of the financial year is 29 days (2015: 30 days).

18. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2016	2015	2016 RM	2015 RM
Authorised				
At beginning and end of year	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid				
At beginning and end of year	10,000,000	10,000,000	10,000,000	10,000,000

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

19. Loans and borrowings

	2016 RM	2015 RM
Current		
Secured:		
Term loan	5,719,497	5,712,678
Obligations under finance lease	38,567	56,073
	5,758,064	5,768,751
Non-current		
Secured:		
Term loan	36,774,317	42,500,633
Obligations under finance lease	-	38,567
	36,774,317	42,539,200
	42,532,381	48,307,951

19. Loans and borrowings (cont'd.)

The remaining maturities of the loans and borrowings as at reporting date are as follows:

	2016 RM	2015 RM
On demand or within one year	5,758,064	5,768,751
More than 1 year and less than 2 years	5,719,497	5,751,245
More than 2 year and less than 5 years	11,438,994	11,425,356
Over 5 years	19,615,826	25,362,599
	42,532,381	48,307,951

The term loan is secured by:

(a) a first legal charge over the rights to design, construct and operate a hotel as disclosed in Note 12;
(b) a first legal charge over the holding company's shares in the Company;
(c) a specific debenture and a letter of negative pledge over the rights to design, construct and operate a hotel;
(d) a deed of assignment on all rights, interest and benefits of the designated account;
(e) corporate guarantee by the holding company, TP Real Estate Holdings Pte Ltd; and
(f) corporate guarantee by the related companies; Tune Hotels.Com Limited and Plato Capital Limited.

The bank borrowings are secured by the Company's prepaid lease which amounted to RM57,609,206 (2015: RM60,881,005) as disclosed in Note 12. The bank borrowings and finance lease bear floating interest rates ranging from 7.42% to 9.01% (2015: 7.54% to 9.01%) per annum.

20. Deferred revenue

Deferred revenue represents amounts received in advance at the end of the reporting period for the income from hotel operations.

Movement in deferred revenue:

	2016 RM	2015 RM
At 1 October 2015/2014	1,838,865	652,564
Additions	-	1,186,301
Recognised in revenue	(887,268)	-
At 30 September 2016/2015	951,597	1,838,865

21. Trade payables

The normal trade credit terms granted to the Company range from 30 to 60 days (2015: 30 to 60 days).

22. Other payables

	2016 RM	2015 RM
Current		
Other payables	2,132,793	874,507
Retention sum	1,501,846	1,518,625
Accruals	964,625	2,356,563
	4,599,264	4,749,695

Other payables are normally settled on an average term of 1 to 30 days (2015: 1 to 30 days). These amounts are non-interest bearing.

Retention sum is payable upon expiry of the defect liability period.

23. Deferred tax liabilities

	2016 RM	2015 RM
At 1 October 2015/2014	981,497	(322,416)
Recognised in profit or loss	20,574	1,303,913
At 30 September	1,002,071	981,497

Presented after appropriate offsetting as follows:

	2016 RM	2015 RM
Deferred tax liabilities	1,247,613	1,441,175
Deferred tax assets	(245,542)	(459,678)
	1,002,071	981,497

946411-T

TP Sepang Sdn. Bhd.
(Incorporated in Malaysia)

23. Deferred tax liabilities (cont'd.)

The deferred tax consists of the tax effects of the following items:

Deferred tax liabilities:

	Accelerated capital allowance 2016 RM	Accelerated capital allowance 2015 RM
At 1 October 2015/2014	1,441,175	2,122,608
Recognised in profit or loss	(193,562)	(681,433)
At 30 September	1,247,613	1,441,175

Deferred tax assets:

	Provisions RM	Deferred revenue RM	Unutilised business losses RM	Total RM
At 1 October 2015	(18,350)	(441,328)	-	(459,678)
Recognised in profit or loss	1,192	212,944	-	214,136
At 30 September 2016	(17,158)	(228,384)	-	(245,542)
At 1 October 2014	-	-	(2,445,024)	(2,445,024)
Recognised in profit or loss	(18,350)	(441,328)	2,445,024	1,985,346
At 30 September 2015	(18,350)	(441,328)	-	(459,678)

24. Retained earnings

The Company may distribute dividends out of its entire retained earnings as at 30 September 2016 under the single tier system.

25. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and the related parties took place at terms agreed between the parties during the financial year:

	2016 RM	2015 RM
Franchise fee paid/payable to a related company	792,889	921,994
Advertising and promotion fee paid/payable to a related company	835,789	474,497
Hotel management fee paid/payable to a related company	271,446	230,499
Share of rental paid/payable to a related company	16,120	67,910
Booking fee paid/payable to a related company	123,999	71,828
Gateway fee paid/payable to a related company	46,454	57,484

Key management personnel refers to those persons having authority and responsibility for planning, directing and controlling the activities of the entity, direct or indirectly, including any director (whether executive or otherwise) of the Company.

There were no significant related party transactions with key management personnel during the financial year.

During the current and previous financial year, the key management personnel did not receive any remuneration from the Company.

26. Fair value of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following classes of financial instruments that are not carried at fair value are reasonable approximation of fair value:

	Note
Amount due to immediate holding company	15
Other receivables	16
Trade receivables	14
Loans and borrowings (non-current) - floating rate	19
Trade payables	21
Other payables	22

26. Fair value of financial instruments (cont'd.)

Determination of fair value (cont'd.)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amount of the non-current portion of loans and borrowings is reasonable approximations of fair values due to the insignificant of impact of discounting.

The fair value of non-current loans and borrowings is estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing arrangements at the reporting date.

27. Financial risk management

The Company is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include liquidity risk, credit risk and interest rate risk.

(a) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company's objectives on liquidity are to ensure sufficient cash is kept to meet operating expenses and distribution to shareholders.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

27. Financial risk management (cont'd.)

(a) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	On Demand or within one year RM	One to five years RM	Over five years RM	Total RM
2016				
Financial liabilities:				
Other payables	4,599,264	-	-	4,599,264
Amount due to holding company	2,709,884	-	-	2,709,884
Loans and borrowings				
- Principal	5,758,064	17,158,491	19,615,826	42,532,381
- Interest	2,974,147	6,596,086	2,815,467	12,385,700
	16,041,359	23,754,577	22,431,293	62,227,229
2015				
Financial liabilities:				
Other payables	4,749,695	-	-	4,749,695
Amount due to holding company	7,709,884	-	-	7,709,884
Loans and borrowings				
- Principal	5,768,751	17,176,601	25,362,599	48,307,951
- Interest	3,798,073	11,409,878	1,604,836	16,812,787
	22,026,403	28,586,479	26,967,435	77,580,317

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

27. Financial risk management (cont'd.)

(b) Credit risk (cont'd.)

Exposure to credit risk

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Credit risk concentration profile

The Company does not have any significant exposure to any individual customer of counterparty nor does it have any major concentration of credit risk related to any financial instruments.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 14.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from its interest-bearing borrowings. The Company's policy is to obtain the most favourable interest rates available. Any surplus funds of the Company will be placed with licensed banks to generate interest income.

Sensitivity analysis for interest rate risk

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit net of tax. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

	Increase/ decrease in basis points	Effect on profit net of tax (Decrease)/ increase RM
2016		
Loans and borrowings, net of deposits	+25	(71,224)
	-25	71,224
2015		
Loans and borrowings, net of deposits	+25	(88,305)
	-25	88,305

28. Financial instruments

The financial instruments of the Company as at 30 September by classes are as follows :

		2016 RM	2015 RM
(a)	**Loans and receivables**		
	Trade receivables	1,969,753	4,982,667
	Other receivables (exclude prepayment)	892,296	547,125
	Cash and bank balances	6,973,024	4,915,163
		9,835,073	10,444,955
(b)	**Financial liabilities measured at amortised cost**		
	Loans and borrowings	42,532,381	48,307,951
	Trade payables	160,363	53,949
	Other payables	4,599,264	4,749,695
	Amount due to holding company	2,709,884	7,709,884
		50,001,892	60,821,479

29. Capital management

The Company manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as returning of capital to shareholders or issuing new shares.

The capital of the Company includes equity attributable to owners of the parent. In this regard, the Company's policies and procedures involve obtaining funding from its holding company to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company is not subject to any externally imposed capital requirements.

29. Capital management (cont'd.)

Summary of the capital of the Company are as follows:

	Note	2016 RM	2015 RM
Trade and other payables	21 / 22	4,759,627	4,803,644
Loans and borrowings	19	42,532,381	48,307,951
		47,292,008	53,111,595
Less: Cash and bank balances	17	(6,973,024)	(4,915,163)
Net debt		40,318,984	48,196,432
Total equity attributable to owners of the Company		18,326,949	12,939,861
Debt-to-equity ratio		2.20	3.72

30. Material litigation

The Company took legal action to recover rental arrears from the operators of the restaurant and succeeded in obtaining summary judgement against the operators including striking out their defence andunterclaim. The operators are currently appealing the court's decision.

31. Comparatives

Comparative amounts as at 30 September 2015, have been restated as follows:

	As previously stated RM	Reclassification RM	As restated RM
Statement of Financial Position:			
As at 30 September 2015			
Intangible assets	60,924,652	(60,881,005)	43,647
Prepaid lease	-	60,881,005	60,881,005
Statement of comprehensive income			
As at 30 September 2015			
Amortisation of intangible assets	4,709,004	(4,704,441)	4,563
Amortisation of prepaid lease	-	4,704,441	4,704,441

During the year, management assessed that it is more appropriate to classify consideration paid for the hotel operation rights as prepaid lease. The reclassification of balances in statement of financial position and the related amortisation did not have any impact to net profit and cash flows from operation previously reported.

32. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2016 were authorised for issue in accordance with a resolution of directors on 31 March 2017.

1. HISTORY AND PRINCIPAL ACTIVITIES

TP Flinders was incorporated in Australia as a fixed unit trust on 2 June 2016 to hold and develop the Flinders Lane Property.

2. ISSUED UNITS

The issued units of TP Flinders as at the LPD is AUD12.50, comprising 1,249,843 units.

3. SUBSIDIARIES AND ASSOCIATED COMPANIES

As at the LPD, TP Flinders does not have any subsidiary or associated company.

4. DIRECTORS

Not applicable as this is a trust.

5. SUBSTANTIAL UNITHOLDERS

The particulars of the substantial unitholders of TP Flinders and their unitholdings in TP Flinders as at the LPD are as follows:

		Direct		Indirect	
Name	**Nationality/Country of Incorporation**	**No. of units**	**%**	**No. of units**	**%**
TPRE	Singapore	1,000,000	80.0	-	-
Hedgehog (acting as trustee for Hedgehog Trust)	Australia	223,867	17.9	-	-
Say Wei NG[(1)]	Malaysia	-	-	223,867	17.9
Say Jing NG[(1)]	Malaysia	-	-	223,867	17.9

Note:

(1) Beneficial interest by virtue of his 50% unitholding in Hedgehog Trust.

Information related to TPRE is set out in **Section 3.5** of this Circular.

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6. HISTORICAL FINANCIAL INFORMATION

The summary of the key financial information of TP Flinders based on its audited financial statements for the FPE 30 September 2016 is set out below:

	Audited for FPE 30 September 2016	
	AUD'000	***RM'000***
Revenue	-	-
Profit before tax	2	6(1)
Profit after tax and minority interest	2	6(1)
Paid-up capital	-*	-*
Total equity	2	6(2)
No. of units	1	1
EPS	2	6
NA per unit	2	6
Total borrowings	-	-
Current ratio (times)	0.1	0.1
Gearing (times)	-	-

Notes:

* *Less than 100*

(1) *Translated at the average exchange rate of AUD1.00:RM3.0663 for the FPE 30 September 2016*

(2) *Translated at the exchange rate as at 30 September 2016 of AUD1.00:RM3.1633*

Commentary:

FPE 30 September 2016

TP Flinders was incorporated on 2 June 2016. The net profit of AUD2,028 comprises mainly of rental income of AUD123,660, interest income of AUD7,480 and other income of AUD10,068, offset by property expenses of AUD42,272, other operating expenses of AUD32,055 and fixed overheads of AUD62,225.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by TP Flinders which may, upon being enforceable, have a material adverse effect on TP Flinders' profits or NA.

7.2 Contingent liabilities

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

8. MATERIAL CONTRACTS

As at the LPD, TP Flinders has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years preceding the LPD.

9. MATERIAL LITIGATION

As at the LPD, TP Flinders is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and TP Flinders does not have any knowledge of any such proceedings, pending or threatened against TP Flinders or of any facts which is likely to give rise to any such proceedings which may affect the position or business of TP Flinders.

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Tune Hotels

TP International Pty Ltd
(ACN 612 712 384)
Trustee for TP Hotel (Flinders) Trust

Management Office
2nd Floor,
Bangunan ECM Libra,
8 Jalan Damansara Endah,
Damansara Heights,
50490 Kuala Lumpur,
Malaysia.

Registered Office
40, Bramley Crescent,
Wheelers Hill, VIC 3150.

+603-2082 5799
+603-2092 3407
tunehotels.com

Date: 14 NOV 2017

Board of Directors
ECM Libra Financial Group Berhad
2nd Floor, West Wing
Bangunan ECM Libra
8 Jalan Damansara Endah
Damansara Heights
50490 Kuala Lumpur

Dear Sirs,

PROPOSED ACQUISITION BY ECM LIBRA FINANCIAL GROUP BERHAD OF 40.005% EQUITY INTEREST IN TP HOTEL (FLINDERS) TRUST (TOGETHER WITH 40.005% OF THE RIGHTS AND BENEFITS TO THE TOTAL ADVANCES OWING BY TP HOTEL (FLINDERS) TRUST)

On behalf of the Board of Directors of TP International Pty Ltd ("**Board**"), as trustee for TP Hotel (Flinders) Trust, I wish to report that after making due enquiries in relation to the period between 30 September 2016, being the date on which the last audited financial statement of TP Hotel (Flinders) Trust have been made up, and up to the date hereof, being a date not earlier than fourteen (14) days before the date of issue of this circular by ECM Libra Financial Group Berhad to its shareholders ("**Circular**"), that:

(a) The business of TP Hotel (Flinders) Trust has, in the opinion of the Board, been satisfactorily maintained;

(b) In the opinion of the Board, no circumstances have arisen since the last audited financial statements of TP Hotel (Flinders) Trust, which have adversely affected the trading or the value of the assets of TP Hotel (Flinders) Trust;

(c) The current assets of TP Hotel (Flinders) Trust appears in the books at values which are believed to be realisable in the ordinary course of business;

(d) There are no contingent liabilities by reason of any guarantees or indemnities given by TP Hotel (Flinders) Trust;

(e) There has been, since the last audited financial statements of TP Hotel (Flinders) Trust, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowings of TP Hotel (Flinders) Trust; and

(f) Save as disclosed in the Circular, since the last audited financial statements of TP Hotel (Flinders) Trust, there has been no material change in the published reserves or any unusual factors affecting the profits of TP Hotel (Flinders) Trust.

Yours faithfully,
For and on behalf of the Board of
TP International Pty Ltd
as trustee for TP Hotel (Flinders) Trust

GARETH LIM TZE XIANG
Director

CHRISTOPHER MARK ANTHONY LANKESTER
Director

TP INTERNATIONAL PTY LTD ATF TP HOTEL (FLINDERS) TRUST

Financial Report
for the Period Ended 30 September 2016

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Contents

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Statement of Comprehensive Income

For the period ended 30 September 2016

	NOTE	2nd June 2016 to 30 September 2016 $
Other income	4	141,208
Property expenses		(42,272)
Other Operating Expenses		(32,055)
Fixed overheads		(62,225)
Administrative and other expenses		(2,628)
PROFIT BEFORE INCOME TAX		**2,028**
Income tax expense	5	-
PROFIT AFTER TAX, REPRESENTING TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,028**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Statement of Financial Position

As at 30 September 2016

	NOTE	2016 $
CURRENT ASSETS		
Cash and cash equivalents	11	1,557,948
Other receivables	6	135,829
TOTAL CURRENT ASSETS		**1,693,777**
NON-CURRENT ASSETS		
Property, plant and equipment	7	19,599,145
TOTAL NON-CURRENT ASSETS		**19,599,145**
TOTAL ASSETS		**21,292,922**
CURRENT LIABILITIES		
Other payables	8	8,154
Amount due to holding company	8	21,282,739
TOTAL CURRENT LIABILITIES		**21,290,893**
NET ASSETS		**2,029**
EQUITY		
Contributed equity	9	1
Retained profit		2,028
TOTAL EQUITY		**2,029**

The above statement of financial position should be read in conjunction with the accompanying notes.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Statement of Changes In Equity

For the period ended 30 September 2016

	Contributed Equity	Retained profit	Total Equity
	$	$	$
At the date of incorporation	1	-	1
Total comprehensive income for the period	-	2,028	**2,028**
At 30 September 2016	-	**2,028**	**2,029**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Statement of Cash Flows

For the period ended 30 September 2016

	NOTE	2016 $
Cash from operating activities:		
Proft before tax		2,028
Adjustments for:		
Interest received		(7,480)
Working capital adjustments:		
Increase in other receivables (excluding related party)		(14,384)
Increase in prepayments		(114,247)
Increase in other payables		8,154
Cash generated from operating activities		(125,929)
Interest received		283
Net cash used in operating activities		**(125,646)**
Cash flows from investing activity:		
Purchase of property, plant and equipment, representing net cash used in investing activity		**(19,599,145)**
Cash flows from financing activity:		
Advances from holding company, representing net cash used in financing activity		**21,282,739**
Net increase in cash held		1,557,948
Cash at beginning of financial year		-
Cash at end of the financial year	11	**1,557,948**

The above statement of cash flows should be read in conjunction with the accompanying notes.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Notes to the Financial Statements

For the period ended 30 September 2016

1. CORPORATE INFORMATION

The financial report of the TP International Pty Ltd ATF TP Hotel (Flinders) Trust (the Trust) for the year ended 30 September 2016 was authorised for issue in accordance with a resolution of the directors on 21 April 2017.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust was registered on the 2 June 2016 with the principal activity of property investments holding.

The registered office of TP International Pty Ltd is located at:
40 Bramley Crescent, Wheelers Hill
3150 Victoria, Australia

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and statement of compliance

This special purpose financial report has been prepared for distribution to the members to fulfil the directors of the trustee company's financial reporting requirements under the unitholders trust deed. The accounting policies used in the preparation of this report, as described below are in the opinion of the directors, appropriate to meet the needs of the unitholders.

The requirements of Accounting Standards issued by the Australian Accounting Standards Board and other professional reporting requirements do not have mandatory applicability to the Trust in relation to the year ended 30 Septemher 2016 because the directors of the Trustee Company have determined that the Trust is not a reporting entity. However, the directors of the Trustee Company have determined that the financial report presents fairly the results of operations and state of affairs of the Trust and complies with other professional reporting requirements in Australia regarding the measurement and recognition of assets, liabilities, revenues, expenses and equity.

Accordingly, the directors have prepared the financial report in accordance with Australian Accounting Standards with the main disclosure exceptions including:

- AASB 7 *Financial Instruments: Disclosures*
- AASB 112 *Income Taxes*
- AASB 116 Property, Plant and Equipment
- AASB 117 *Leases*
- AASB 119 *Employee Benefits*
- AASB 124 *Related Party Disclosures*
- AASB 132 *Financial Instruments: Presentation*
- AASB 136 *Impairment of Assets*
- AASB 139 *Financial instruments : Recognition and Measurement*

The financial report has been prepared on an accruals basis of accounting including historical cost convention, except as disclosed in the notes to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

There have been no new or amended Australian Accounting Standards and AASB Interpretations effective for reporting periods beginning 1 October 2016 that impact the accounting policies, financial position or performance of the entity.

(ii) Australian Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 September 2016.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank.
For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash and cash equivalents as defined above.
Cash at bank are stated at nominal value.

(d) Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost less any provision for doubtful debts. Due to their short term nature they are not discounted. A provision for doubtful debts is recognised when collection is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

(e) Going Concern

The financial report is presented in Australian dollars and has been prepared on a going concem basis despite the Company having a net deficiency A$19,597,116 of current assets over current liabilities. The deficiency is primarily due to amount due to Holding Company i.e. TP Real Estate Holdings Pte Ltd of A$21,282,739. The Holding Company has agreed to not demand repayment of the amount within 12 months from the end of the financial year and an appropriate letter of support has been provided.

(f) Impairment of non-financial assets

At each reporting date, the Trust assesses whether there are any indicators that an asset may be impaired. Where an indicator of impairment exists, the Trust makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. Impairment losses are recognised in the income statement except for assets that were previously revalued and the revaluation was taken to equity. In this case the impairment is recognised in equity up to the amount of any previous revaluation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Property, plant and equipment
Cost and valuation
Freehold land is measured at cost. The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Depreciation
Depreciation is on a straight line basis over the expected useful life of the specific assets as follows:

	Life
Land	Not depreciated

Impairment of non-financial assets
The carrying value of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

(h) Other payables
Liabilities for trade and other payables including related party loans are carried at amortised cost which represents liabilities for goods and services received prior to year end, whether or not billed to the Trust.

(i) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income
Revenue is recognised as interest accrues using the effective interest method.

Rental Revenue
Rental revenue is accounted for on a straight line basis over the lease term and included in revenue due to its operating nature.

(j) Contributed Equity
An equity instrument is any contract that evidences a residual interest in the assets of the Trust after deducting all of its liabilities.

Interest Income
Revenue is recognised as interest accrues using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Provisions and employee benefits
Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(k) Income tax
Under current tax legislation, the Trust is not subject to income tax payable provided that the taxable income is or is deemed to be fully distributed to unitholders or the unitholders become presently entitled to all the taxable income.

(l) Other Taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Trust's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future periods.

4. OTHER INCOME	NOTE	2nd June 2016 to 30 September 2016 $
Rental revenue		123,660
Interest income		7,480
Other		10068
		141,208

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Notes to the Financial Statements

For the period ended 30 September 2016

	NOTE	2 June 2016 to 30 September 2016 $
5. INCOME TAX		
(a) Income tax expense		
The major components of income tax expense are:		
Current income tax expense, representing total tax expense reported in the Statement of Comprehensive Income		-
(b) Reconciliation		
A reconciliation of income tax expense applicable to accounting loss before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:		
Accounting profit before income tax		2,028
At the statutory income tax rate of 30% (2015: 30%)		608
Adjustments in respect of current income tax:		
Non-deductible costs		9,616
Income not subject to tax		(26,880)
Deferred tax as a result of tax losses not recognised		16,655
Income tax expense reported in the statement of comprehensive income		-
6 OTHER RECEIVABLES		
Other debtors		**135,829**

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $	Total $
At 28 June 2016	-	-
Additions	19,599,145	19,599,145
At 30 September 2016	**19,599,145**	**19,599,145**
Accumulated depreciation		
At 28 June 2016/30 September 2016	-	-
Net book value		
At 30 September 2016	**19,599,145**	**19,599,145**

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Notes to the Financial Statements

For the period ended 30 September 2016

	NOTE	2016 $

8. OTHER PAYABLES

Other payables	8,154
Amount due to Holding Company	21,282,739
	21,290,893

9. CONTRIBUTED EQUITY

Issued and Paid Up Capital

1 unit of ordinary share fully paid	**1**

Fully paid ordinary shares carry one vote per share and carry the right to dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

10. AUDITOR'S REMUNERATION

Amounts received or due and receivable by Ernst & Young as auditors of TP International for:	
– an audit of the financial statements	**7,530**

11. CASH AND CASH EQUIVALENTS

Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows cash and cash equivalents comprise the following:

Cash at bank	17,948
Cash deposit placed with licensed bank	1,540,000
Cash and cash equivalents	1,557,948

The deposit placed with a licensed bank is pledged against the banking facility provided by the bank with a maturity period of 3 months.

The effective interest rates of deposit during the period with a licensed bank is 2.45% per annum.

12. COMPARATIVES

There are no comparative figures as this is the first set of financial statements of the Company since the date of incorporation on 2 June 2016.

TP International Pty Ltd ATF TP Hotel (Flinders) Trust

Trustee's Declaration

For the period ended 30 September 2016

In accordance with a resolution of the directors of TP International Pty Ltd ATF TP Hotel (Flinders) Trust, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are prepare and in accordance with Australian Accounting Standards to the extent described in Note 2 to the financial statements; and

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

(c) the Trust is not a reporting entity

On behalf of the Trustee

Oh Teik Khim
Director of Trustee Company

Kuala Lumpur, Malaysia
Date: 21 April 2017

Building a better working world

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Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

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Fax: +61 3 8650 7777
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Independent auditor's report to the unitholders of TP Hotel (Flinders) Trust

We have audited the accompanying special purpose financial report of unitholders of TP Hotel (Flinders) Trust which comprises the statement of financial position as at 30 September 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the trustee's declaration.

Trustee Directors' Responsibility for the Financial Report

The directors of the trustee company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the financial reporting requirements of the Trust Deed and is appropriate to meet the needs of the unitholders. The directors of the trustee company are also responsible for such controls as they determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of TP Hotel (Flinders) Trust as of 30 September 2016 and its financial performance and its cash flows for period then ended in accordance with the accounting policies described in Note 2 to the financial statements.

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Basis of preparation

Without modifying our opinion, we draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the trustee directors' meet the financial reporting requirements of the Trust Deed and is appropriate to meet the needs of the unitholders. As a result, the financial report may not be suitable for another purpose.

Ernst & Young

Ernst & Young
Melbourne
24 April 2017