

Sim Leisure Group Ltd.

(Company Registration Number: 201808096D)
(Incorporated in the Republic of Singapore)

WAIVER FROM STRICT COMPLIANCE WITH RULE 1014(2) IN RELATION TO THE PROPOSED ACQUISITION OF RAKAN RIANG SDN BHD

1. INTRODUCTION

- 1.1 The board of directors (the **"Board"** or the **"Directors"**) of Sim Leisure Group Ltd. (the **"Company"**, and together with its subsidiaries, the **"Group"**) refers to the Company's announcement dated 4 November 2020 (the **"Announcement"**) in relation to the proposed acquisition of all the issued and paid-up ordinary shares in the capital of Rakan Riang Sdn Bhd (**"RRSB"**) by the Company's wholly-owned subsidiary, Sim Leisure Escape Sdn. Bhd. (**"SLE"**), from Themed Attractions and Resorts Sdn. Bhd. (**"TAR"**) and Boustead Curve Sdn. Bhd. (**"BCSB"**, and together with TAR, the **"Vendors"**) pursuant to a sale of shares agreement (the **"SSA"**) executed between SLE and the Vendors on the same day.
- 1.2 Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Announcement.

2. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

- 2.1 As highlighted in paragraph 5.2.1 of the Announcement, the relative figure for the Proposed Acquisition computed on the basis of Rule 1006(b) of the Catalist Rules (based on the respective absolute figures) exceeds 100%. It is noted that pursuant to Rule 1015(1)(a) of the Catalist Rules, where an acquisition of assets is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100% or more, the transaction is classified as a "very substantial acquisition".
- 2.2 However, as the Proposed Acquisition involves an acquisition of a loss-making asset by a loss-making issuer, pursuant to Rule 1007 of the Catalist Rules, Chapter 10 of the Catalist Rules may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10A. As the Proposed Acquisition does not fall under the circumstances of paragraphs 4.3 and 4.4 of Practice Note 10A, pursuant to paragraph 4.6 of Practice Note 10A, Rule 1014 shall apply in the Proposed Acquisition, being that the Proposed Acquisition will be regarded as a "Major Transaction".

- 2.3 Pursuant to Rule 1014(2) of the Catalist Rules, a “Major Transaction” must be made conditional upon approval by shareholders of an issuer at an extraordinary general meeting (“**EGM**”) to be convened.

3. WAIVER APPLICATION IN RESPECT OF RULE 1014(2) OF THE CATALIST RULES

- 3.1 The Company’s sponsor, ZICO Capital Pte. Ltd., had on 10 November 2020, submitted on behalf of the Company, an application to the SGX-ST seeking a waiver from strict compliance of Rule 1014(2) of the Catalist Rules which requires the prior approval of Shareholders in relation to the Proposed Acquisition, and approval for the Company to instead obtain the approval of Shareholders by way of ratification after the completion of the Proposed Acquisition (the “**Completion**”) (the “**Waiver Application**”).

- 3.2 The Waiver Application was sought on, *inter alia*, the following grounds:

(a) Time-sensitive nature of the transaction

Pursuant to discussions with the Vendors and due to circumstances of the Target, the Proposed Acquisition has to be completed on an urgent basis. If the Proposed Acquisition is not completed in time, the offer may be withdrawn by the Vendors. Accordingly, if the Company was required to seek prior approval from Shareholders for the Proposed Acquisition, this could negatively impact the Company’s chances of success in completing the Proposed Acquisition. As such, the Board is of the view that it is to the benefit of the Company and Shareholders to expeditiously complete the Proposed Acquisition and to take advantage of such opportunity.

(b) No material change in the Company’s risk profile arising from the Proposed Acquisition and accordingly there is no prejudice to Shareholders for Completion to take place prior to obtaining Shareholders’ approval

The Board is of the view that the Proposed Acquisition would not materially change the risk profile of the Group based on the following reasons:

(i) No change in control of the Company

The Proposed Acquisition will not result in a change in control of the Company as the Proposed Acquisition does not involve any issue of Shares by the Company and the Vendors will not have any board representation on the Company as a condition of the Proposed Acquisition.

- (ii) RRSB is in a similar business as that of the Group and the Proposed Acquisition does not change the core business of the Group

The Group and RRSB are in a similar business, which is the operation of themed attractions in Malaysia. The main difference in the business of the Group and that of RRSB is that the Group develops and operates outdoor theme parks whereas RRSB operates an indoor educational and entertainment centre for children. As such, the Proposed Acquisition would not change the core business of the Group, but rather would allow the Company to complement its existing core business to include an indoor theme attraction in addition to existing outdoor ones, and also further extend its geographical reach beyond Penang and to have an increased presence in Klang Valley. This is in line with the Group's current growth strategy in expanding geographically within Malaysia.

- (iii) No significant adverse impact on the Group's earnings, working capital and gearing

The Proposed Acquisition is made in the ordinary course of business and will not result in a material change to the nature of the Group's business. The Board believes that the Proposed Acquisition will not have a significant adverse impact on the Group's earnings, working capital and gearing after the Completion having considered that:

- (aa) The Company intends to undertake a cost rationalisation exercise in respect of the RRSB's business to reduce operational and administrative costs and to ensure that the current cost structure is in line with revenue in light of the Coronavirus (COVID-19) pandemic.
- (bb) The write-off of the Inter-Company Liabilities will also ensure that the working capital of the Group will not be strained after taking over the existing operations of RRSB. Working capital has also been set aside to re-open and re-launch the business of RRSB. Going forward and subject to improving market conditions, RRSB is expected to be able to self-finance its operations (without requiring further working capital from the Group) using the revenue generated from sponsorship fees as well as ticketing revenue.
- (cc) Based on the pro forma financial effects of the Proposed Acquisition as set out in the Announcement, the Proposed Acquisition will increase the net tangible assets per Share of the Group, which will ultimately strengthen the Group's balance sheet and allow the Group to increase its borrowings in the

future should the Group seek to expand overseas after the COVID-19 pandemic.

(iv) No expansion of the Company's business to a new geographical market and/or a new business sector

The assets and revenue stream of both the Group and RRSB are largely in respect of the operation of themed attractions in Malaysia with a target segment that comprises children and adults. Accordingly, the Proposed Acquisition will not result in any material change to the Group's existing business profile but instead, present more opportunities for the Group to expand its core business, extend its reach in the children's segment and augment its strategic position in the theme parks and attractions industry in Malaysia.

In terms of its geographical market, the Group and RRSB both derive revenue primarily from their operation of themed attractions in Malaysia and have similar core businesses.

In view of the above, the Proposed Acquisition will not result in an expansion of the Company's business to a new geographical market and/or a new business sector.

(v) The terms of the Proposed Acquisition were negotiated between the Vendors and SLE based on arm's length negotiations and arrived at on a willing-buyer willing-seller basis, after taking into account, the financial performance of RRSB for FY2019 and HY2020, the writing off of the Inter-Company Liabilities as at the date of Completion, as well as the potential benefits to the Group arising from the Proposed Acquisition. Please refer to the Rationale section of the Announcement for more information.

(c) Irrevocable undertaking by the Company's substantial shareholders

The substantial shareholders of the Company, namely Mr Sim Choo Kheng, Mr Tan Boon Seng and Tropika Kiara Sdn. Bhd. ("**TKSB**"), holding in aggregate approximately 79.94% interest in the Company as at the date of the Waiver Application and this announcement, have provided irrevocable undertakings to the Company to (i) vote in favour of the Proposed Acquisition; and (ii) not decrease their current shareholdings in the Company until after the EGM has been convened. Mr Tan Boon Seng has also provided an undertaking to procure that TKS B complies with such undertaking. Accordingly, the resolution would have duly passed even if a Shareholders' meeting were to be required for the purposes of approving the Proposed Acquisition prior to Completion.

4. RECEIPT OF THE SGX-ST'S WAIVER IN RESPECT OF RULE 1014(2) OF THE CATALIST RULES

The SGX-ST had on 19 November 2020 informed the Company that the SGX-ST has no objection to the Waiver Application with regard to compliance with Rule 1014(2) of the Catalist Rules (the “**Waiver**”), subject to the following conditions being fulfilled:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 106 of the Catalist Rules and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
- (b) the Company obtaining Shareholders' approval for the Proposed Acquisition by way of ratification at an EGM to be convened within three (3) months from the Completion of the Proposed Acquisition; and
- (c) the Company disclosing in the Shareholders' circular (the “**Circular**”) why the Proposed Acquisition is in the best interest of the Company.

The SGX-ST had also stated that the Company is required to make immediate disclosures via SGXNet if it is / will be in contravention of any laws and regulations governing the Company and the Constitution of the Company (or the equivalent in the Company's country of incorporation) arising from the Waiver.

This announcement sets out the requisite information as required under condition (a) above. The information required under condition (c) above shall be set out in the Circular, and the Company will ensure that it convenes an EGM within three (3) months from the date of Completion of the Proposed Acquisition, to seek Shareholders' approval for the Proposed Acquisition by way of ratification in accordance with condition (b) above. The Company confirms that it is not and will not be in contravention of any laws and regulations governing the Company and the Constitution of the Company arising from the Waiver.

5. FURTHER ANNOUNCEMENTS AND CIRCULAR

The Company will make further announcements to update Shareholders when there are material updates on the Proposed Acquisition, as may be necessary or appropriate.

The Circular containing information on the Proposed Acquisition and enclosing the notice of EGM to obtain Shareholders' approval for the Proposed Acquisition by way of ratification will be despatched by the Company to Shareholders in due course.

BY ORDER OF THE BOARD
SIM LEISURE GROUP LTD.

SIM CHOO KHENG
Executive Director and CEO
19 November 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.