

# Sim Leisure Group Ltd.

(Company Registration Number: 201808096D)

(Incorporated in the Republic of Singapore)

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## RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT

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The Board of Directors ( the “Board” or “Directors”) of Sim Leisure Group Ltd. (the “Company”, and together with its subsidiaries, the “Group”) refers to the questions raised by the Securities Investors Association (Singapore) (“SIAS”) in respect of the Company’s Annual Report for the financial year ended 31 December 2021. The Company wishes to provide the following responses to SIAS’ questions:

**Q1.** Revenue for the year increased by 85% to RM17.69 million in FY2021, driven by the cooperation fee received and higher admission fees and receipts at the theme parks.

The group recorded a loss after tax of RM(10.37) million in FY2021. The adjusted loss after tax generated purely from its operations of the theme parks of RM(5.99) million in FY2021, as compared to loss after tax of RM(7.10) million in FY2020.

In his message to shareholders, the CEO noted the record attendance for November and December 2021. The attendance, exceeding the levels pre-COVID, was achieved despite not having any international tourists, corporate and school groups, relying exclusively on local visitors.

**(i) Can management provide shareholders with an update on the operating performance of its parks as Malaysia (along with many countries including Singapore) progressively opened up in 2022?**

For the first quarter of this year (the “Q1 2022”), we have not only seen tremendous upside in visitor volume but also revenue per cap particularly at our ESCAPE Penang park as we start winding down our COVID-19 pandemic-infused discounts across the board and changing consumer buying behavior (as further elaborated in (ii) below), despite Malaysia remaining closed to international tourists. Revenue from ESCAPE Penang, our main attraction, for Q1 2022 eclipsed that of the corresponding period of the pre-COVID-19 pandemic year of 2019 while the Group’s revenue performance for Q1 2022 hit approximately 75% of the revenue recorded for the preceding quarter ended 31 December 2021 which is traditionally a super peak season for the tourism and leisure sector.

We remain focused on growing our revenue streams across our attraction businesses including ticketing, food and beverage, retail, corporate sponsorship and ancillary services and developing and implementing aggressive brand marketing, securing marketing partnerships to expand our marketing resources and distribution channels and driving tactical promotions to fully maximise upcoming seasonal and school holiday attendance periods.

**(ii) Has the group adjusted its ticket prices?**

The Group has maintained its ticketing pricing for 2022 and its dynamic ticket pricing offering discounts of between 10-30% in line with advance ticket purchases of 1 week to 3 months out. The ticket per cap has increased in Q12022 due to changing consumer buying behaviour, whereby consumers are typically purchasing tickets late and not taking advantage of advance purchase discounts.

**(iii) How is the group positioning itself for the anticipated recovery?**

The Group is putting in place a range of new rides and attractions and expanding our offerings across our various attractions including the recent enhancement of the World's Longest Slide with the Pepsi ESCAPE Challenge activity and the introduction of a second Guinness World Record certified attraction to be launched in May of the World's Longest Zip Coaster and the expansion of our Base Camp (overnight camping) offering. ESCAPE Petaling Jaya will be launching the recently installed international standard Obstacle Play course to capture the lucrative corporate team building and extreme event markets, while KidZania Kuala Lumpur will be introducing a range of new event programs and content together with new partners and a significantly expanded marketing program.

At the same time, we are strengthening our management, expanding our sales, marketing and commercial resources, and improving our processes and systems in order to accommodate the increased growth we expect to see across our businesses.

**(iv) What is the performance of KidZania Kuala Lumpur? Is management satisfied with the performance of the newly acquired asset?**

We are seeing a steady pick up in the KidZania business with strong attendance levels achieved over the Q1 2022 together with an increased ticket per cap. Whilst we saw a slight dip in our February 2022 attendance due to the increased outbreak of the Omicron variant, we are seeing a steady increase in our attendance in March and April 2022. This trend is expected to continue as consumer confidence returns and the economy starts to open up and we transition from the pandemic to endemic stage.

With the expected return of the school business by Q3 2022 which traditionally accounts for nearly 30% of the overall attendance, we remain confident with our increased attendance outlook and anticipate a steady return to our pre-COVID levels over the next 1-2 years.

The response we have received from our existing industry partners (sponsors) is also very encouraging, with the majority of them opting to start paying fees in 2022 and to continue to support KidZania at a similar investment to pre-pandemic levels. Further we also have secured a number of new industry partners since the end of last year and are seeing increased interest from new potential sponsors.

**(v) What additional insights has management gained from operating ESCAPE Challenge, which is a mall-based indoor park?**

The ESCAPE Challenge concept has proven to be very popular in bringing the outdoors indoor as many consumers prefer to be in a more comfortable and controlled indoor environment with less extreme rides and activities. With the recent introduction of our international standard Obstacle Play course and the opening up of the local economy and many companies staff returning to the office, we see a big opportunity to develop our team building business. In fact, we are receiving a significant increase in inquiries for team building and group events from both our ESCAPE PJ and ESCAPE Penang Park.

Further, we have been fielding increased interest and enquiries from many mall operators who have been observing the ESCAPE Challenge business and are willing to invest capex to bring ESCAPE Challenge to their malls as they see it as a destination driver and offering a unique experience to their mall visitors.

**(vi) Please also provide shareholders with the future opening dates of the new theme parks in Malaysia and in overseas market.**

We are actively working with various parties to expand our ESCAPE brand across both outdoor and indoor attractions and these developments which are still subject to approvals from various local authorities are mainly in Malaysia with some targeting to launch in the next two years.

**Q2.** Income tax expense increased to RM5.69 million as mainly due to the under provision of income tax in prior years amounting to RM4.39 million and additional deferred tax liabilities which were underprovided in prior years of RM0.43 million.

The company has stated the following (page 15):

[A] one-off income tax payable for the years 2013 to 2017 which amounted to an aggregate sum of RM3.86 million payable by the company's indirect wholly-owned subsidiary, SLA in 34 instalments over a period of 34 months. The aforesaid income tax was assessed by Inland Revenue of Malaysia ("IRB") to be payable by SLA in view of SLA being not able to meet the criteria for being a pioneer status company. SLA has since filed an appeal against the aforesaid tax assessments and the company will update shareholders on any material developments on this matter. SLA was earlier granted the pioneer status by the Malaysian Investment Development Authority ("MIDA") in May 2014 for 5 years from November 2012 to November 2017, which was further extended for another 5 years, whereby 70% of the taxable income subject to pioneer status is exempted from corporate income tax. Pioneer status is an incentive in the form of tax exemption granted to SLA as a theme park operator for its tourism project "Escape Adventureplay" from MIDA.

**(i) What are the criteria used by IRB to determine an entity's pioneer status?**

Pioneer Status (PS) is an incentive in the form of tax exemption which is granted to eligible companies participating in promoted activities or producing promoted products for a period of 5 or 10 years. In SLA's case, PS was applied and approved by MIDA under tourism – Theme Parks, the promoted activity. A company granted PS enjoys a five-or-ten-year partial exemption from the payment of income tax. It pays tax on 30% of its statutory income, with the exemption period commencing from its Production Day (defined as the day its production level reaches 30% of its capacity).

For further details on PS, kindly refer to the following link from MIDA which is self-explanatory.

<https://www.mida.gov.my/industries/services/hospitality-hotels-and-tourism>

**(ii) Has SLA met all the criteria for pioneer status by MIDA from 2012 to 2017, and to now? What is the current status of SLA's pioneer status according to MIDA? Will SLA be extending its pioneer status with MIDA, if it qualifies?**

The Group is of the view that SLA met all the criteria for pioneer status by MIDA from 2012 to 2017 and up to date. PS was granted by MIDA for two terms of five consecutive years each from the date of approval and SLA will need to submit a compliance with incentive conditions report duly certified by external auditors to MIDA on a yearly basis before claiming the tax exemption in the yearly tax submission.

SLA is currently in the last year of the extended 5-year period of the permitted 10-year pioneer status period as per MIDA and IRB's guidelines.

**(iii) Is SLA filing the appeal against IRB? What are the options available to SLA if the appeal is not successful?**

SLA is appealing to the Special Commissioners of Income Tax (the "SCIT") against the additional assessment by Inland Revenue Board. SCIT hears appeals from taxpayers who are dissatisfied with the assessment of income tax made by IRB.

If the appeal to SCIT is not successful, SLA can appeal to High Court with the Deciding Order issued by SCIT. Further appeal may be made from the decision of the High Court to the Court of Appeal.

**Q3.** At the annual general meeting scheduled to be held on 29 April 2022, Mr Tay Eng Kiat Jackson, an independent director of the company, will retire by rotation pursuant to regulation 102 of the company's constitution.

Though eligible, the director has notified the board that he will not be seeking re-election to facilitate board renewal "in line with good governance practice". Mr Tay Eng Kiat Jackson was first appointed on 30 October 2018 and last re-elected on 11 May 2020.

The cessation of the independent chairman will leave a gap in the board's ability to comply with certain Catalist Rules and the Code of Corporate Governance 2018, including but not limited to meeting the minimum requirement of Rule 406(3)(c) of the Catalist Rules that independent directors must comprise at least one-third of the board; and Rule 704(7) of the Catalist Rules to fill the vacancy in the audit committee to meet the requirement of a minimum number of not less than three members within two months, but in any case not later than three months.

**(i) Would the board/nominating committee (NC) help shareholders understand if the retirement of the independent chairman is part of its board succession plans for directors (including the chairman) (Provision 4.1(a); page 25)?**

It is no secret the COVID-19 pandemic has placed immense hardship on the Group's operations with our parks having to endure a 15-month closure since the start of the outbreak. This pandemic has in a way pressed a 'RESET' button levelling out the competitive playing field and presenting vast opportunities for the Group to expand our low-tech, high fun concept (business model) to offer affordable fun for masses, through partnering with established commercial property owners and developers. The recent retirement of our director is one of the proactive and unselfish actions from our current board members and executives, to enable the Group to move forward with refreshed board and executive level with appointments that could contribute fresh ideas and approaches to elevate its businesses and seize the opportunities and the potentials that lay ahead following the resetting of the business landscape, particularly in the tourism and leisure sector in which the Group operates.

**(ii) What is the search and nomination process for new directors, especially independent directors?** In the corporate governance report, it was disclosed that the NC will "encourage" the board to go beyond their immediate circle of contacts. **Will the NC be using a third party search firm and/or professional body to cast its net wider for potential candidates?**

With the Group's established international network and position as a fast-growing low tech, high fun attraction provider as well as the established network of our current board members and executives, the Group is not short of any caliber candidates that could contribute toward the goals and future successes of the Group. Nonetheless, the NC will consider engaging executive search services should the need arise.

**(iii) What is the progress made by the board in identifying a suitable candidate?**

The Board is currently in the midst of identifying suitable candidates for the NC and Board's consideration.

In addition, the Board wishes to inform that the Company has not received any comments, queries and/or questions from the shareholders of the Company in relation to the Company's businesses, operations and in particular, the resolutions to be tabled for approval at the AGM.

BY ORDER OF THE BOARD  
**SIM LEISURE GROUP LTD.**

Sim Choo Kheng  
Executive Director and Chief Executive Officer  
28 April 2022

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*This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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