

SUBSCRIPTION OF SHARES AND JOINT VENTURE IN RELATION TO AN INDIRECTLY OWNED SUBSIDIARY OF THE COMPANY, SIM LEISURE MAKERS SDN BHD

1.0 INTRODUCTION

The board of directors (the “**Board**” or the “**Directors**”) of Sim Leisure Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company had on 22 September 2022, entered into a Joint Venture cum Shareholders’ Agreement (“**JV Shareholders’ Agreement**”) with Mr Milan Vanek (“**Joint Venture Partner**”, and collectively with the Company, the “**Parties**”) in relation to the share capital and operations of Sim Leisure Makers Sdn. Bhd. (“**SL Makers**”) (“**Joint Venture**”).

The Joint Venture Partner is the minority shareholder and executive of a 51%-owned indirect subsidiary of the Company, Sim Leisure Milan Sdn. Bhd. which is principally engaged in safety inspection of theme park attractions and facilities and project management of adventure parks. He is not related to the Directors, the substantial shareholders of the Company or their respective associates. The Joint Venture Partner does not hold any shares in the share capital of the Company as at the date of this announcement.

2.0 INFORMATION ON SL MAKERS

SL Makers was incorporated on 9 August 2022 in Malaysia as a wholly owned subsidiary of Sim Leisure Escape Sdn Bhd (“**SLE**”), with an issued and paid-up share capital of RM1.00 represented by one (1) ordinary share in SL Makers (“**Subscriber Share**”) allotted at an issue price of RM1.00 (“**SLM Share**”). The intended principal activity of SL Makers is to carry out business of design and construction of theme attractions and nature-inspired parks of the ESCAPE brand (the “**Business**”) and those to be mutually agreed in writing between the Parties. Based on the latest unaudited management accounts of SL Makers as at 15 August 2022, SL Makers has a net liabilities or deficit in shareholders’ equity of RM2,786 due principally to the cost of incorporation of SL Makers.

SLE is a wholly owned direct subsidiary of the Company.

3.0 INFORMATION ON JOINT VENTURE PARTNER

The Joint Venture Partner is a specialist in the construction, maintenance, safety and operation of adventure parks, with over 40 projects completed in America, Europe and Asia regions. He holds various certifications, compliant with the standards of the Association for Challenge Course Technology (“**ACCT**”) and European Ropes Course Association. ACCT is an American National Standards Institute accredited standards developer for the global challenge course, aerial adventure park, canopy tour, and zip line industry.

The Joint Venture Partner is currently the minority shareholder with shareholding of 49% in, and the Director of Safety of, Sim Leisure Milan Sdn Bhd, a 51%-owned indirect subsidiary of the Company.

4.0 JV SHAREHOLDERS' AGREEMENT

The JV Shareholders' Agreement sets out certain key terms and conditions regulating the affairs of SL Makers, such as the management and control of SL Makers, as well as the rights and obligations of the shareholders of SL Makers.

Shareholdings of SL Makers

Pursuant to the JV Shareholders' Agreement, each of the Company and the Joint Venture Partner shall subscribe via cash, for 8,199 and 1,800 new SLM Shares respectively at an issue price of RM1.00 per new SLM Share ("**Subscription**"). The Company shall also purchase the Subscriber Share from SLE at a cash consideration of RM1.00 ("**SLG Purchase**").

Following the issuance and allotment of the new SLM Shares pursuant to the Subscription and SLG Purchase, the issued and paid-up share capital and shareholding structure of SL Makers will be as follows:

Shareholder/Party	Number of SLM Shares	Percentage of shareholding	Issued and paid-up share capital
a) The Company	8,200	82%	RM8,200
b) Joint Venture Partner	1,800	18%	RM1,800
	10,000	100%	RM10,000

The proceeds from the Subscription will be used for working capital purposes of SL Makers. The Company will also be providing interim funding, via interest-free advances ("**Interim Advance**") up to the sum of RM1,000,000 to SL Makers for its working capital purposes. This Interim Advance shall be repayable to the Company within a twelve (12)-month period from the date of the full disbursement of the Interim Advance to SLM.

Board of Directors and the Management of SL Makers

The board of directors of SL Makers shall consist of three (3) directors as follows:

<u>Proposed directors of SL Makers</u>	<u>Number of directors</u>
a) To be nominated by the Company	Two (2)
b) To be nominated by the Joint Venture Partner	One (1)

The Company shall provide administrative assistance to SL Makers, for a fee to be determined, in areas such as accounting, secretarial, design works, procurement and human resources, while the Joint Venture Partner shall be responsible for the day-to-day operations of the business of SL Makers.

The present directors of SL Makers are Dato' Sim Choo Kheng (Executive Chairman of the Company) ("**Dato' Sim**") and Mr Milan Vanek, the Joint Venture Partner. Pursuant

to the Joint Venture, Dato' Sim and Mr Milan Vanek shall be appointed as the Chairman and Executive Director of SL Makers, respectively.

Sale of SLM Shares and Sale Value

The Parties have agreed that the price at which each of the SLM Shares is to be sold, transferred or otherwise part with its legal or beneficial ownership (other than to a third party) will be determined and calculated at One Hundred Fifty Percent (150%) of the net tangible asset per SLM Share as determined by the then auditors of SL Makers ("**Sale Value**").

The Parties have also agreed that it shall not sell, transfer or otherwise part with its legal or beneficial ownership to any of the SLM Shares without first making an offer in writing to sell at the Sale Value to the other party. Should the other party decide not to take up such SLM Shares, the first party shall be entitled to offer such SLM Shares to a third party at not less than the Sale Value (to be determined at a later date in accordance to the terms of the JV Shareholders' Agreement).

5.0 RATIONALE FOR THE JOINT VENTURE

The Joint Venture coincides with the organic growth plan of the Group to capitalise on its "SIM LEISURE" and "ESCAPE" brands and established track record of designing and building theme parks globally. It is an extension and advancement of the existing partnership between the Group and the Joint Venture Partner under Sim Leisure Milan Sdn Bhd which was established in January 2020 to (i) oversee the Group's attraction development projects; and (ii) tap on the Joint Venture Partner's expertise and experience for third party's projects.

The Board is of the view that the Business is directly complementary to the existing business of the Group and that the Joint Venture enables the Group to progress closer towards achieving the Group's long-term strategy to become a fully integrated theme park contractor, owner and operator capable of providing a greater spectrum of services globally in the leisure industry. It is also in line with the Group's business strategy of expanding its business through joint ventures and strategic alliances.

6.0 POTENTIAL CONFLICT OF INTEREST WITH AND CALL OPTION TO PURCHASE THE ENTIRE EQUITY INTEREST IN SIM LEISURE CONSULTANTS SDN BHD ("SLC")

SLC, a company incorporated in Malaysia and wholly-owned by Dato' Sim and Datin Silviya Georgieva Georgieva (who are also its directors), provides theme park design and construction services ("**SLC Business**"). Pursuant to the listing of the Company on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Catalist in 2019, Dato' Sim and Datin Silviya Georgieva Georgieva have both granted to the Company a call option to which the Company has the option, over a 5-year period immediately after the listing, to acquire the entire equity interest in SLC held by them during the option period ("**SLC Call Option**").

Following the formation of the Joint Venture, the Company will not exercise the SLC Call Option and to address the potential conflict of interest, Dato' Sim and Datin Silviya Georgieva Georgieva have further provided an undertaking to cause SLC to wind down from the effective date of the Joint Venture, eventually cease to undertake the existing SLC Business, and to offer to SL Makers the right of first refusal of any potential future contract of the SLC Business.

7.0 SOURCE OF FUNDS AND FINANCIAL EFFECTS

The subscription of 8,199 new SLM Shares by the Company is to be funded by the Group's internal resources. The Joint Venture (which encompasses the Subscription) is not expected to have any material effect on the consolidated net tangible assets per share and earnings per share of the Company and the Group for the current financial year ending 31 December 2022.

8.0 INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company and their respective associates, has an interest, direct or indirect, in the Joint Venture, save for their interests arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

9.0 DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the JV Shareholders' Agreement will be available for inspection during normal business hours at the registered office of the Company at 138 Robinson Road #26-03, Oxley Tower Singapore 068906, for a period of (3) months from the date of this announcement.

By order of the Board,

Dato' Sim Choo Kheng
Executive Chairman
22 September 2022

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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