

SIM LEISURE GROUP LTD.
(Company Registration Number: 201808096D)
(Incorporated in the Republic of Singapore)

- (I) **INCORPORATION OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY; AND**
 - (II) **ENTRY INTO A THEME PARK AGREEMENT IN RELATION TO THE PROJECT MANAGEMENT OF THE CONSTRUCTION; AND THE OPERATION AND MAINTENANCE OF AN ESCAPE THEME PARK IN CAMERON HIGHLANDS**
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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 the following:

- (a) the incorporation of an indirect wholly-owned subsidiary, Sim Leisure Cameron Sdn. Bhd. (“**Sim Leisure Cameron**”), in Malaysia on 30 June 2021 by the Company’s wholly-owned subsidiary, Sim Leisure Escape Sdn. Bhd. (the “**Incorporation**”); and
- (b) the entry into a theme park agreement on 9 July 2021 (the “**Agreement**”) by Sim Leisure Cameron with Hektar Muda Sdn Bhd (“**HMSB**”) and HMSB’s subsidiary, Hektar Muda Assets Sdn Bhd (the “**Owner**”) in relation to the project management of the construction; and the operation and maintenance of an environmentally sustainable ESCAPE theme park in Cameron Highlands, Malaysia (the “**Theme Park**”) (the “**Project**”). HMSB is the registered owner of the land to be used for the Project (the “**Project Land**”) and the Owner shall be the registered lessee of the Project Land.

(I) **INCORPORATION OF A WHOLLY-OWNED SUBSIDIARY**

Sim Leisure Cameron has an issued and fully paid-up share capital of RM2.00 comprising two (2) issued and fully paid-up shares. Its principal activity is to carry out business in development and operation of theme parks.

The Incorporation was funded by the Company’s internal resources and is not expected to have any material impact 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 2021.

Save for their interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors, the controlling shareholders of the Company, and their respective associates, has any interest, direct or indirect, in the Incorporation.

(II) **ENTRY INTO A THEME PARK AGREEMENT IN RELATION TO THE PROJECT**

Introduction

Pursuant to the Agreement, the Owner shall construct and own the Theme Park, and Sim Leisure Cameron shall develop the Project together with the Owner and to operate, manage and maintain the Theme Park on behalf of the Owner for an initial term of thirty (30) years from the opening date of the Theme Park (unless otherwise extended

or terminates in accordance with the terms of the Agreement) (the “**Term**”), with an option to mutually extend the Term for a further period of ten (10) years.

Under the Agreement, the opening date of the Theme Park to the public (the “**Opening Date**”) is scheduled to be eighteen (18) months from the commencement of the construction works of the Theme Park or such other date as may be extended pursuant to the Agreement or otherwise agreed between the parties.

The scope of work of Sim Leisure Cameron for the Project consists of the following:

- (i) to provide project management service in respect of the planning, design, development, construction, landscaping, equipping, installation and completion of the Theme Park;
- (ii) to carry out services, including theme park operations, operating or managing food and beverage outlets, accommodation and merchandising operations;
- (iii) to demand and collect the revenues generated from the Theme Park; and
- (iv) to carry out all other activities incidental to the above activities.

With regard to point (i) above, Sim Leisure Cameron has provided a general design concept of the Theme Park for use in the Project.

Background of HMSB

HMSB is a company incorporated in Malaysia and its principal business is property development, oil palm cultivation and sub-division of marketable plantation plots for sales.

Each of HMSB and its directors and shareholders are not related to the Company, the Directors or controlling shareholders of the Company, and their respective associates.

Rationale for the entry into the Agreement

The Company decided to enter into the Agreement in order to (i) grow the Group’s revenue stream through collaborating with HMSB without straining the Group’s balance sheet and allow the Group to seize the growing business opportunities; (ii) further elevate the Group’s status as the leading developer and operator of retro-eco theme parks based in Malaysia; and (iii) expand the “ESCAPE” brand of theme parks in Malaysia.

Further, the Group will also be paid (i) a fee for the design and coordination of the detailed/architectural design of the Theme Park by consultants/engineers and/or architects (which shall not exceed RM250,000); and (ii) a project management fee of a sum equivalent to five per cent. (5%) of the cost of the non-specialised portion of the construction works for the Theme Park. It is also intended for Sim Leisure Cameron to be appointed as the contractor for the specialised portion of the construction works for the Theme Park.

In view of the above, the Company has decided to enter into the Agreement with HMSB and the Owner.

Salient Terms of the Agreement

(i) Condition precedents

The Agreement shall be conditional upon the following conditions to be fulfilled within six (6) months from the date of the Agreement (or such other date as may be mutually agreed by the parties) (the “**Long Stop Date**”):

- (a) the Owner, at its own costs and expenses, obtain all necessary consent, authorisation, registration, notice, lodgement, permit, certificate, permission, licence, approval, direction, order, declaration, authority or exemption from, by or with government authorities (“**Authorisation**”), including from the relevant land office for the Project Land to be utilized and operated as the Theme Park for the Term including conversion of the category of land use, express conditions and zoning;
- (b) Sim Leisure Cameron to obtain any authorisation, resolution, approval or consent required under law, the constituent documents or other internal procedures of a party (“**Corporate Authorisation**”) in connection with the execution and delivery of the Agreement;
- (c) the Owner to provide a copy of the executed and stamped lease agreement entered between the Owner and HMSB in respect of the Project Land (the “**Lease Agreement**”) and documentary evidence that the lease pursuant thereto has been submitted for registration at the relevant land office;
- (d) approval by Sim Leisure Cameron of the plans provided by the Owner in relation to the access roads from the main Jalan Ringlet – Tanah Rata road and sewerage connection for the Theme Park;
- (e) Sim Leisure Cameron to deliver the necessary plans and drawings which provides the indicative costs breakdowns and layouts in relation to the construction works and development of the Theme Park to the Owner; and
- (f) Sim Leisure Cameron to deliver the duly executed corporate guarantee issued by the Company and personal guarantee issued by Mr. Sim Choo Kheng (Executive Director and Chief Executive Officer of the Company) to the Owner.

(ii) Delay in Completion

If the contractors of the Theme Park fail to achieve the Opening Date by the scheduled Opening Date solely due to Sim Leisure Cameron’s fault, the Owner shall be entitled to recover from Sim Leisure Cameron liquidated damages at the rate of Ringgit Malaysia One Thousand (RM1,000.00) per day until the earlier of the occurrence of the Opening Date or the termination of the

Agreement provided that the total aggregate of liquidated damages shall not exceed the capped sum of Ringgit Malaysia One Hundred and Eighty Thousand (RM180,000.00).

(iii) Events of Default

In the event Sim Leisure Cameron (without any fault on the part of the Owner) triggers any of the events of default specified under the Agreement, then the Owner shall give written notice to Sim Leisure Cameron specifying the default, and requiring Sim Leisure Cameron to remedy such default within sixty (60) days of the receipt of the default notice or any longer period determined by the Owner. If Sim Leisure Cameron fails to remedy the relevant default, or the default is incapable of remedy, without prejudice to all other rights and remedies of the Owner and/or HMSB, the Owner and/or HMSB shall have the right to terminate the Agreement with immediate effect by giving notice to that effect to Sim Leisure Cameron.

In the event the Owner and/or HMSB triggers any of the events of default specified under the Agreement, similar terms as stated above for Sim Leisure Cameron will apply to the Owner and/or HMSB.

(iv) Construction funding and working capital

The Owner, shall finance and fund the construction works of the Theme Park up to a maximum of RM15 million (the “**Maximum CAPEX**”). This Maximum CAPEX excludes the following:

- (a) basic infrastructure costs namely ensuring appropriate access roads to the Theme Park from the main Jalan Ringlelet – Tanah Rata Road; and
- (b) all costs and expenses to obtain the authorisation from the land office for the Project Land to be utilized and operated as the Theme Park including conversion/change of the category of land use, express conditions and zoning.

In the event the cost of the construction works exceeds the Maximum CAPEX due to the cost of provision of the supply of utilities, to the extent possible, including electricity, internet, sewerage connection and water, the Owner shall fund such excess cost to the extent such costs relate to the cost of provision of the supply of utilities.

Save for the above, in the event the cost of the construction works exceeds the Maximum CAPEX, the Owner may (but is not obliged to) fund such excess. If the Owner, decides not to fund such additional costs, Sim Leisure Cameron (or the Company) will need to finance such costs by way of capital injection into the Owner, in which Sim Leisure Cameron (or the Company) shall be allotted with new ordinary shares to be issued by the Owner for the amount equivalent to the funds injected by Sim Leisure Cameron (or the Company) in proportion to the construction cost that has been funded by the Owner.

The working capital costs (including the operating expenses) relating to the operations, management, maintenance and repairs of the equipment in Theme Park shall be the responsibility of Sim Leisure Cameron. Throughout the duration of the Term, all costs relating to quit rent, assessment, rates and taxes imposed by the governmental authority in respect of the Project Land and all access roads shall be the responsibility of the Owner.

(v) Major financial obligations of Sim Leisure Cameron

Sim Leisure Cameron shall at all times for the duration of the Agreement, perform duties including but not limited to the following:

- (a) comply with and carry out the decisions of the project committee for the Project;
- (b) use its commercially reasonable efforts to obtain all authorisation (other than those which are to be obtained by the Owner under the Agreement) necessary to undertake the Project;
- (c) maintain accounts, financial records and statements and allow the Owner or their respective representatives, full and unconditional access to inspect the relevant records subject to five (5) business days' prior written notice and provided that such inspection shall not interfere with the day-to-day operations and management of Sim Leisure Cameron;
- (d) be responsible for paying all utility costs, taxes and other charges incurred in respect of the Theme Park;
- (e) use its best endeavours, effect and maintain or cause to be effected and maintained insurances throughout the Term;
- (f) perform the following financial obligations to the Owner:

For the period from the Opening Date to 31 December of the same year, on a monthly basis, Sim Leisure Cameron shall pay to the Owner, the higher of:

- (i) ten per cent (10%) per annum of the construction cost that has been funded by Owner for the Project and/or Theme Park (the **"Owner's Capex Cost"**) on a pro-rated basis for that period; or
- (ii) ten per cent (10%) of the revenues of each calendar month of operation of the Theme Park for that period; and

For every operating year thereafter, on an annual basis, Sim Leisure Cameron shall pay to the Owner the higher of:

- (i) ten per cent (10%) of the Owner's Capex Cost; or
- (ii) ten per cent (10%) of the revenues; and

For the final period which commences on January 1 and ends on the last date of the Term, Sim Leisure Cameron shall pay to the Owner, the higher of:

- (i) ten per cent (10%) of the Owner's Capex Cost on a pro-rated basis for the period; or
 - (ii) ten per cent (10%) of the revenues on each calendar month of operation for that period;
 - (g) provide no less than five hundred (500) 2-day passes or one thousand (1,000) 1-day pass of any ESCAPE theme park within the Group or recreational facility to the Owner on yearly basis; and
 - (h) in the event that Sim Leisure Cameron becomes a shareholder of the Owner, Sim Leisure Cameron agrees that it shall not be entitled to any dividends issued by the Owner until such time that HMSB has recovered the amount of the Owner's Capex Cost and the parties agree that the Group's entitlement to the dividends shall be cumulative and shall be paid when HMSB has recovered the amount of the Owner's Capex Cost.
- (vi) Corporate guarantee to be provided by the Company

The Company will issue a corporate guarantee to the Owner to guarantee the performance of Sim Leisure Cameron's obligations and will be obliged to pay the Owner when Sim Leisure Cameron defaults to make any payment to the Owner under the Agreement.

- (vii) Put Option

In the event that the ownership of Sim Leisure Cameron and/or the Company (individually or collectively) in the Owner exceeds fifty per cent (50%) plus 1 ordinary share as a result of Sim Leisure Cameron exercising its right under the Agreement (the "**Triggering Event**"), the Owner may require Sim Leisure Cameron (or to cause the Company) to purchase the remaining shares held by HMSB in the Owner (the "**Remaining Shares**") subject to the Company obtaining all Corporate Authorisation required and further provided that the Lease Agreement and the Agreement are both still valid and intact. If the Triggering Event occurs within the first three (3) years from the Opening Date, the purchase price for the Remaining Shares (the "**Purchase Price**") shall be calculated based on the book value of the Owner. If the Triggering Event occurs subsequent to the three (3) years from the Opening Date, the Purchase Price shall be calculated based on the value of the Owner as determined by an independent valuer registered in Malaysia jointly appointed by the parties based on an agreed valuation methodology and the decision of the independent valuer shall be binding on the parties. The Purchase Price shall be paid in full in four (4) equal instalments in twelve (12) months.

(viii) Non-compete

The parties to the Agreement agree that for so long as the Agreement is in force and for a period of three (3) years after the expiry/termination of the Agreement, none of the parties to the Agreement shall:

- (a) carry out any other nature-based theme park operations or any other theme park operation which is similar to the ESCAPE themed type of theme park or recreational park/facility in any Hill Station (minimum height of eight hundred (800) metres above sea level) in Peninsular Malaysia unless with the prior written consent of the other party; and
- (b) whether directly or indirectly, solicit or entice away any of the employees or staffs or contractors or officers of the other parties or interfere or disrupt the relationship of the other party with any person with whom it has a business relationship.

Other Information

The Agreement is not expected to have any material impact 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 2021.

Save for the Directors' interests arising by way of their shareholdings in the Company and/or directorships in the Group, as the case may be, none of the Directors, the controlling shareholders of the Company, and their respective associates, has any interest, direct or indirect, in the Agreement.

By Order of the Board

Sim Choo Kheng

Executive Director and Chief Executive Officer

9 July 2021

*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 Goh Mei Xian, Associate Director, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.