

Sim Leisure Group Ltd.

(Company Registration Number: 201808096D)

(Incorporated in the Republic of Singapore)

MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Sim Leisure Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 1 March 2021 in relation to its full year unaudited financial results for the financial year ended 31 December 2020 (“**FY2020**”) (the “**Preliminary Unaudited Results**”).

Pursuant to Rule 704(5) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board wishes to announce that, subsequent to the release of the Preliminary Unaudited Results, the external auditors of the Company (“**Auditors**”) have proposed certain adjustments between the Preliminary Unaudited Results and the audited financial statements of the Company for FY2020 (the “**Audited Financial Statements**”) in respect of the statements of financial position, consolidated statement of comprehensive income, and consolidated statement of cash flows, which the management of the Company has adopted accordingly.

The details and explanation of the material variances between the Audited Financial Statements and the Preliminary Unaudited Results are set out in the appendix to this announcement. Shareholders of the Company (“**Shareholders**”) are advised to read the Audited Financial Statements set out in the Company’s annual report for FY2020 which has been released separately on SGXNet on 17 May 2021.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

SIM LEISURE GROUP LTD.

Sim Choo Kheng

Executive Director and Chief Executive Officer

17 May 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 Catalist.*

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.

APPENDIX

1. The Audited Consolidated Statement of Comprehensive Income (for the Group), together with a comparative Preliminary Unaudited Results, for FY2020.

Consolidated Statement of Comprehensive Income	Audited RM	Unaudited RM	Changes %	Explanatory Note
Revenue	9,575,538	9,845,986	(3)	1
Cost of sales	(8,876,912)	(9,789,713)	(9)	2
Gross profit	698,626	56,272	1,142	
Other income	17,348,032	17,857,437	(3)	3
Administrative expenses	(8,371,502)	(7,726,526)	8	2
Impairment loss on trade receivables	(18,111)	-	100	
Finance costs	(1,403,243)	(1,321,033)	6	2
Profit before income tax	8,253,802	8,866,151	(7)	
Income tax credit/(expense)	209,803	(729,141)	(129)	4
Profit for the financial year, representing total comprehensive income for the financial year	8,463,605	8,137,009	4	
Profit/(Loss) attributable to:				
- Owners of the parent	8,464,442	8,179,815	3	
- Non-controlling interests	(837)	(42,806)	(98)	
	8,463,605	8,137,009	4	

2. The Audited Statement of Financial Position (for the Company and the Group), together with a comparative Preliminary Unaudited Results.

	Group			Company			Explanatory Note
	As at 31 December 2020	As at 31 December 2020	Changes	As at 31 December 2020	As at 31 December 2020	Changes	
	RM	RM	%	RM	RM	%	
	(Audited)	(Unaudited)		(Audited)	(Unaudited)		
ASSETS							
Non-current assets							
Property, plant and equipment	85,165,600	85,377,236	(0)	-	-	-	
Right-of-use assets	28,316,581	31,043,144	(9)	-	-	-	5
Intangible assets	1,370,488	1,370,488	-	-	-	-	
Investment in subsidiaries	-	-	-	52,123,449	46,459,249	12	6
	<u>114,852,669</u>	<u>117,790,868</u>	(2)	<u>52,123,449</u>	<u>46,459,249</u>	12	
Current assets							
Inventories	558,348	558,348	-	-	-	-	
Trade and other receivables	2,791,957	3,372,985	(17)	361,544	-	100	7, 8
Prepayments	370,135	370,135	-	85,412	4,020	2,025	9
Income tax recoverable	252,989	-	100	-	-	-	10
Cash and cash equivalents	8,077,239	7,032,952	15	3,274,158	3,274,158	-	11
Short-term deposits	-	1,044,288	(100)	-	-	-	11
	<u>12,050,668</u>	<u>12,378,708</u>	(3)	<u>3,721,114</u>	<u>3,278,178</u>	14	
Total assets	<u>126,903,337</u>	<u>130,169,576</u>	(3)	<u>55,844,563</u>	<u>49,737,427</u>	12	

APPENDIX

2. The Audited Statement of Financial Position (for the Company and the Group), together with a comparative Preliminary Unaudited Results (Continued).

	Group			Company			Explanatory Note
	As at 31 December 2020	As at 31 December 2020	Changes	As at 31 December 2020	As at 31 December 2020	Changes	
	RM	RM	%	RM	RM	%	
	(Audited)	(Unaudited)		(Audited)	(Unaudited)		
EQUITY AND LIABILITIES							
Equity							
Share capital	55,360,320	55,360,320	-	55,360,320	55,360,320	-	
Merger reserve	(12,700,040)	(12,700,040)	-	-	-	-	
Capital reserve	1,366,485	1,324,515	3	1,328,829	1,328,829	-	
Retained earnings/(Accumulated losses)	20,712,533	20,427,906	1	(2,251,470)	(7,954,670)	(72)	12
Equity attributable to owners of the parent	64,739,298	64,412,701	1	54,437,679	48,734,479	12	
Non-controlling interests	(25,745)	(25,744)	0	-	-	-	
Total equity	64,713,553	64,386,957	1	54,437,679	48,734,479	12	
Non-current liabilities							
Lease liabilities	23,960,813	25,113,928	(5)	-	-	-	13
Borrowings	9,401,112	9,401,112	-	-	-	-	
Contract liabilities	493,987	493,987	-	-	-	-	
Amount due to a Director	3,550,000	3,550,000	-	-	-	-	
Provisions	3,833,472	4,121,672	(7)	-	-	-	14
Deferred tax liabilities	3,116,060	4,055,003	(23)	-	-	-	4
	44,355,444	46,735,702	(5)	-	-	-	

APPENDIX

2. The Audited Statement of Financial Position (for the Company and the Group), together with a comparative Preliminary Unaudited Results (Continued).

	Group			Company			Explanatory Note
	As at 31 December 2020	As at 31 December 2020	Changes	As at 31 December 2020	As at 31 December 2020	Changes	
	RM	RM		RM	RM		
	(Audited)	(Unaudited)		(Audited)	(Unaudited)		
Current liabilities							
Trade and other payables	10,528,052	10,476,160	0	1,406,884	1,002,948	40	15
Lease liabilities	1,241,601	2,506,070	(50)	-	-	-	13
Borrowings	3,235,393	3,235,393	-	-	-	-	
Contract liabilities	1,045,299	1,045,299	-	-	-	-	
Amount due to a Director	1,783,995	1,783,995	-	-	-	-	
	17,834,340	19,046,917	(6)	1,406,884	1,002,948	40	
Total liabilities	62,189,784	65,782,619	(5)	1,406,884	1,002,948	40	
Total equity and liabilities	126,903,337	130,169,576	(3)	55,844,563	49,737,427	12	

3. The Audited Statement of Cash Flows (for the Group), together with a comparative Preliminary Unaudited Results for FY2020.

Consolidated Statement of Cash Flow	Audited	Unaudited	Changes	Explanatory Note
	RM	RM	%	
Operating activities				
Profit before income tax	8,253,802	8,866,151	(7)	1, 2, 3, 4
Adjustments for:				
Depreciation of plant and equipment	3,102,211	2,957,608	5	16, 18
Amortisation of right-of-use assets	360,603	662,674	(46)	2, 16, 18
Lease liabilities interest	-	928,950	(100)	17, 18
Amortisation of intangible asset	11,944	10,848	10	
Gain on disposal of business operation	(118,349)	(118,510)	(0)	
Expected credit loss on trade receivables	18,111	42,137	(57)	
Waiver of lease rentals	(153,335)	(598,068)	(74)	3, 18
Provision for restoration costs	-	15,052	(100)	18
Bad debt recovered	-	31,650	(100)	
Interest expense	1,403,243	390,726	259	17
Interest Income	(70,395)	(14,000)	403	
Gain on bargain purchase	(16,693,965)	(16,693,965)	-	
Unrealised exchange difference	23,385	20,342	15	
Operating loss before working capital changes	(3,862,745)	(3,498,405)	10	
Working capital changes:				
Inventories	53,021	(505,328)	(110)	18
Trade and other receivables	(973,500)	(1,595,290)	(39)	18, 19, 21
Prepayments	-	585,470	(100)	19
Trade and other payables	4,226,050	9,564,237	(56)	18, 20
Cash (used in)/generated from operations	(557,174)	4,550,684	(112)	
Income tax paid	(565,991)	(353,295)	60	18
Net cash (used in)/from operating activities	(1,123,165)	4,197,389	(127)	

3. The Audited Statement of Cash Flows (for the Group), together with a comparative Preliminary Unaudited Results for FY2020 (Continued).

Consolidated Statement of Cash Flow	Audited	Unaudited	Changes	Explanatory Note
	RM	RM	%	
Investing activities				
Purchase of plant and equipment	(7,374,847)	(7,352,951)	0	
Acquisition of subsidiary company, net of cash acquired	(2,042,830)	(2,842,830)	(28)	18
Proceeds from disposal of motor vehicles	-	-	-	
Net cash used in investing activities	(9,417,677)	(10,195,781)	(8)	
Financing activities				
Proceeds from issuance of ordinary shares from owners of the parent	9,067,640	9,067,641	(0)	
Proceeds from issuance of ordinary shares from non-controlling interests	17,063	17,061	-	
Acquisition of non-controlling interests	(400,000)	-	100	21
Proceeds from borrowings	5,687,495	5,489,476	4	22
Repayment of borrowings	(1,316,762)	(1,095,359)	20	22
Proceeds from loan from a director	5,300,000	-	100	20
Proceeds from disposal of business operations	1,170,000	-	100	23
- shares from minority shareholders	-	400,000	(100)	23
- cash proceeds	-	770,000	(100)	23
Repayment of obligations under leases	(334,539)	(178,334)	88	18
Dividends paid	(4,026,749)	(4,026,749)	-	
Interest paid on borrowings	(625,084)	(390,726)	60	18
Interest Received	70,395	14,000	403	
Changes in fixed deposits with maturity period of more than 3 months	(44,288)	(44,288)	-	
Net cash from financing activities	14,565,171	10,022,722	45	
Net change in cash and cash equivalents	4,024,329	4,024,330	(0)	
Cash and cash equivalents at beginning of financial year	3,008,622	3,008,622	-	
Cash and cash equivalents at end of financial year	7,032,951	7,032,952	(0)	
Cash and cash equivalents	8,077,239	8,077,240	(0)	
Less: Deposits pledged	(1,044,288)	(1,044,288)	-	
Cash and cash equivalents at end of financial year	7,032,951	7,032,952	(0)	

Consolidated Statement of Comprehensive Income**Explanatory Note 1:**

Revenue variance of RM0.27 million was mainly due to (i) elimination of RM0.14 million of inter-company sales, which was omitted in the Preliminary Unaudited Results; and (ii) double counting of RM0.13 million of sales in a subsidiary.

Explanatory Note 2:

Cost of sales variance of RM0.91 million was mainly due to (i) reclassification of RM0.67 million from cost of sales to administrative expenses of RM0.43 million and finance costs of RM0.24 million; and (ii) double counting of depreciation for right-of-use assets of RM0.24 million during consolidation of a newly acquired subsidiary during FY2020.

Explanatory Note 3:

Other income variance of RM0.51 million was mainly due to double counting of the waiver of lease rentals during consolidation of a newly acquired subsidiary during FY2020.

Explanatory Note 4:

Income tax expense variance of RM0.94 million was mainly due to double counting of the deferred tax assets during consolidation of a newly acquired subsidiary during FY2020.

Group/Company Statement of Financial Position**Explanatory Note 5:**

Right-of-use assets for the Group has a variance of RM2.73 million mainly due to double counting of (i) the fair value adjustments for the right-of-use assets and lease liabilities of an aggregate of RM2.42 million (credit); (ii) depreciation for right-of-use assets of RM0.24 million (debit); and (iii) waiver of lease rentals of RM0.51 million (credit), during consolidation of a newly acquired subsidiary during FY2020.

Explanatory Note 6:

There was an inadvertent omission of interim dividend income from a subsidiary in the financial year ended 31 December 2019, which was rectified in the adjustments during the FY2020 audit. These adjustments have no impact on the FY2020 Audited Financial Statements. The interim dividend income was paid in FY2020 through (i) a sum of RM 4,000,000 which was offset against amount owing to a subsidiary; and (ii) a sum of RM 5,664,200 which was considered an extension of the Company's net investment in the subsidiary.

Investment in subsidiaries at the Company level has a variance of RM5.66 million, which was mainly due to the capitalisation of dividend receivable from a subsidiary as explained above.

Explanatory Note 7:

Trade and other receivables for the Group has a variance of RM0.58 million mainly due to (i) double counting of RM0.13 million of sales in a subsidiary; and (ii) reclassification of RM0.25 million and RM0.20 million to income tax recoverable and trade and other payables, respectively.

Explanatory Note 8:

Trade and other receivables for the Company has a variance of RM0.36 million due to reclassification from trade and other payables of RM0.36 million.

Explanatory Note 9:

Prepayments for the Company has a variance of RM0.08 million due to reclassification from trade and other payables.

Explanatory Note 10:

Income tax recoverable for the Group has a variance of RM0.25 million due to reclassification from trade and other receivables.

Explanatory Note 11:

Cash and cash equivalents for the Group has a variance of RM1.04 million, which was due to short-term deposits being reclassified as cash and cash equivalents for presentation purposes.

Explanatory Note 12:

Accumulated losses for the Company has a variance of RM5.70 million due to (i) explanatory note 6 relating to a sum of RM5.66 million which was considered an extension of the Company's net investment in the subsidiary, which was rectified in the statement of financial position for the Company as at 31 December 2019; and (ii) double counting of the accrued directors' salary of RM0.04 million.

Explanatory Note 13:

Lease liabilities (both current and non-current portions) for the Group has a variance of an aggregate of RM2.42 million due to double counting of the fair value adjustments for the right-of-use assets and lease liabilities during consolidation of a newly acquired subsidiary during FY2020.

Explanatory Note 14:

Provisions for the Group has a variance of RM0.29 million mainly due to double counting of the fair value adjustments of provision of restoration costs during consolidation of a newly acquired subsidiary during FY2020.

Explanatory Note 15:

Trade and other payables for the Company has a variance of RM0.40 million mainly due to (i) reclassification to trade and other receivables of RM0.36 million; and (ii) double counting of the accrued directors' salary of RM0.04 million.

Consolidated Statement of Cash Flows**Explanatory Note 16:**

Depreciation for property, plant and equipment has a variance of RM0.14 million mainly due to reclassification from amortisation of rights-of-use assets.

Explanatory Note 17:

Lease liabilities interest has a variance of RM0.93 million mainly due to the reclassification to interest expense.

Explanatory Note 18:

These adjustments are accounted for the identifiable assets and liabilities taken over arising from the acquisition of a subsidiary previously not accounted for.

The above adjustments are mainly due to the adoption of SFRS (I) 3 - Business Combination to reflect actual post-acquisition balances/transactions, which was not adopted previously in the Preliminary Unaudited Results.

Explanatory Note 19:

The variance in trade and other receivables of RM0.59 million was mainly due to reclassification from prepayments.

Explanatory Note 20:

The variance in trade and other payables of RM5.3 million was mainly due to reclassification to proceeds from loan from a director under the financing activities.

Explanatory Note 21:

The variance in acquisition of non-controlling interest of RM0.40 million was due to reclassification from under working capital changes for trade and other receivables.

Explanatory Note 22:

The variance in proceeds from borrowings was mainly due to such borrowings being net off against repayment of borrowings in the Preliminary Unaudited Results.

Explanatory Note 23:

The variance in proceeds from disposal of business operations was due to combining (i) shares from minority shareholders; and (ii) cash proceeds in the Preliminary Unaudited Results into one line item in the Audited Financial Statements for presentation purposes.