SHATTERING WORLD RECORDS

SIM LEISURE GROUP LTD. | ANNUAL REPORT 2019

Contents

Corporate Profile

ABOUT US

Sim Leisure Group Ltd. is a developer and operator of theme parks based in Penang, Malaysia. The Group is a retro-eco theme park developer and operator that provides affordable quality fun where everyone can play the games of yesteryear recreated for today. The Group presently operates the theme parks, ESCAPE Adventureplay, ESCAPE Waterplay and ESCAPE Gravityplay, which are located adjacent to each other in Penang and cater to both local and foreign visitors and tourists. These theme parks aim to provide a memorable, entertaining and educational experience for all visitors.

CEO's Message

DEAR SHAREHOLDERS

The financial year ended 31 December 2019 ("FY2019") was a monumental one for our global growth aspirations. We set new world records, furthered the expansion of the ESCAPE brand of theme parks and penetrated new high-growth markets.

In a year where we achieved new highs for the Group, the success of our proven business model, along with the efficiency and low maintenance costs at our theme parks have brought about our continued strong financial performance. Our disruptive, innovative, and cost-competitive business model remains highly scalable while the asset-light nature of the business has positioned us well for regional opportunities.

The COVID-19 pandemic has certainly impacted the global economy but we are using the present limitations effectively to assess our business priorities and plans. In this, we are fortunate since ESCAPE is unique in its resilience to the present slowdown. As much as 80% of our business in ESCAPE Penang caters to domestic tourists, and we expect visitors to settle for more affordable local vacations once conditions improve. This was obvious after the financial crisis in 2009 where we enjoyed a strong recovery as clients sought companies offering value for money. Sim Leisure was well positioned then to provide our global expertise at reasonable prices.

I would like to remind shareholders that this is just the beginning for the disruptive business model that we have created. Our ESCAPE brand remains on track to achieve our global growth aspirations.

Earth-shattering record feats with the launch of the World's Longest Inner Tube Water Slide

On 9 November 2019, we officially opened the Guinness World Record's longest inner tube water slide measuring 1,111 metres at the official opening ceremony of ESCAPE Gravityplay, smashing the previous record of a mere 356 metres held by Galaxy Erding in Germany. ESCAPE became the centre of attention as international media and distinguished guests including Malaysia's Finance Minister and Penang's Chief Minister graced the occasion of this milestone achievement. ESCAPE put Penang on the global map with this world-class tourist attraction, causing us to witness a flood of international and domestic visitors.

Breaking the world record was never our intention, but we have constantly been baffled by how rides are made so short and quick. We have always wanted to build rides that last longer, allowing visitors to thoroughly savour the experience and this was our chance to take them through a rainforest – something never done before! Our slide sits at the summit of a 70-meter high hill and our 420-meter chairlift, the only one of its kind in Malaysia, transports visitors to start their adventure.

This has helped us set an all-time high in visitor attendance and revenue. In 2019, ESCAPE received a record 205,000 visitors for FY2019 compared with 185,000 the year before.

Going indoor with ESCAPE Challenge

In August 2019, we signed an agreement with Jelas Puri Sdn Bhd ("Jelas Puri"), a subsidiary of Bursa Malaysia listed WCT Holdings Bhd, to build and operate a 35,000 square feet indoor theme park at Paradigm Mall in Petaling Jaya, Malaysia.

ESCAPE Challenge, our new signature indoor park, will provide shoppers with healthy, family-friendly entertainment at the iconic mall. This new brand has been part of our aspiration to bring outdoor play into a contemporary urban setting. In a rising trend of lifestyle malls, we see huge business prospects in this new form of family entertainment.

We have been swamped by developers and mall operators throughout the region to develop ESCAPE Challenge as the growing trend of traditional shopping centres evolving into lifestyle malls catches on regionally. ESCAPE Challenge at Paradigm Mall marks the beginning of another business division we have been incubating for years. This ESCAPE Challenge will be our showcase indoor theme park as we expand the brand in Asia. We foresee exponential growth as retail shopping trends evolve and demand for value added services from the malls increase.

As construction approaches completion, we expect ESCAPE Challenge to launch in FY2020.

Global aspirations starting with ESCAPE Sri Lanka
We are bringing our ESCAPE brand of theme parks into Sri Lanka via our formal agreement signed with Sri Lankan listed Elpitiya Plantations PLC ("Elpitiya"), an associate of the Sri Lankan blue chip conglomerate Aitken Spence PLC.

Our 51%:49% joint venture company, Venture Valley Pte Ltd, will be the ESCAPE park operator with Elpitiya serving as landlord for the project. ESCAPE Sri Lanka will be located halfway between the capital city of Colombo and the main beach resort of Galle along the southwest coast of the island republic. Against the backdrop of a booming tourist industry, Sri Lanka is projected to attract four million tourists in 2020 and revenue of US$5 billion. Furthermore, there is a significant domestic tourist segment taking local holidays. With rising affluence in the country, domestic tourists have far exceeded the 2014 official statistics showing six million Sri Lankans travelling within the country.

We see tremendous opportunity in Sri Lanka with its population of over 20 million. Sri Lanka is one of few remaining countries in the world which is unspoilt and green. The country's unpolluted coastline and beaches attract tourists from all over the world resulting in rapid growth in its tourism industry. Furthermore, the cost of doing business in Sri Lanka is relatively low. We will have the first-mover advantage of building the first world-class attraction in Sri Lanka. Unlike many parts of East Asia, Sri Lanka has tremendous untapped potential for family leisure and a highly-educated population hungry for success. We see this as a great opportunity to train the local population in our operations for future global expansion. We will be generating more smiles per hour never seen before in Sri Lanka.

Having been granted approval to commence construction and barring unforeseen circumstances, we aim to commence construction of ESCAPE Sri Lanka in FY2020.

Monetizing our years of theme park expertise through Sim Leisure Creative
In March 2020, we incorporated Sim Leisure Creative Pte Ltd ("Sim Leisure Creative") to grant our IP rights of the theming business to Guangzhou Daxin Waterpark Equipment Company Ltd ("Daxin Group") for theme park designing and building. We intend to capitalise on Sim Leisure's brand recognition in the leisure industry, which has developed a stellar reputation with decades of experience in designing and building theme parks for clients globally.

Daxin Group, one of the biggest waterpark equipment manufacturer, supplier and contractor in the world, is keen to leverage Sim Leisure's reputation and name to secure theme park design and building contracts in China and ASEAN. We will synergise their local knowledge of China's theme park industry with Sim Leisure's expertise, international experience and world-renowned name.

1 Daxue Consulting, China on track to becoming world's largest amusement park industry by 2020, 13 November 2018 (https://daxueconsulting.com/china-worlds-largest-amusement-park-industry/)

2 China Daily, Only 10% theme parks in China make a profit, 29 December 2016 (https://www.chinadaily.com.cn/china/2016-12/29/content_27810155.htm)

We are looking to maximise the potential of the Chinese theme park industry, which is the largest in the world. In 2017, over half a billion Chinese visited an amusement park with amusement park spending forecasted to surpass US$6 billion by 2019. These statistics make China the world's fastest growing market[1]. Based on a research report on Chinese theme parks, 64 new parks were expected to be established between 2015 to 2020, with a total investment of about US$24 billion dollars[2]. This construction trend is set to continue as a wealth of opportunities for domestic amusement park markets are available. Domestic tourism continues to become more popular in China, as it serves as a symbol of national urban development for many Chinese cities.

Daxin Group has agreed to pay Sim Leisure Creative 5% of total revenue from each new park. We are excited about the partnership as it marks another milestone in our global expansion ambitions. This arrangement essentially creates a new business division allowing us to collect royalty payment and generate additional recurring revenue for the Group.

Welcoming a new strategic shareholder

We are excited to welcome Tropika Kiara Sdn Bhd as a strategic shareholder in Sim Leisure Group.

Helmed by Tan Boon Seng, eldest son of the late Dato' Vincent Tan, Tropika Kiara is an investment holding company which owns and operates Malaysia's largest Chinese restaurant food chain including renowned brands such as Dragon-I, Canton-I, Ho Min San and the Japanese franchise Yayoi. Tropika Kiara also owns Advance Tertiary College with 750 students across two campuses in Kuala Lumpur and Penang, as well as FMCG brands, Bad Lab and Good Virtues, which specialise in personal grooming products. Tropika Kiara sees potential synergies between its burgeoning F&B business operations and Sim Leisure, as we are currently the Number 1 ranked theme park in Malaysia by TripAdvisor.

As we begin our aggressive expansion initiatives in Malaysia and overseas, we remain on the lookout and welcome potential strategic alliances which may give us access to new markets, new customers as well as new business opportunities.

We are therefore excited to partner with Tropika Kiara as we embark on this new phase of growth.

Rewarding Shareholders

As we continue to grow, we remain committed to rewarding shareholders and as such, the Board has proposed a one-tier tax exempt special cash dividend of 3 sen (RM) per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting. As indicated in our offer document during our initial public offering in March 2019, our dividend policy is to declare a minimum of 30 per cent of our net profit attributable as annual dividend to shareholders in respect to FY2019 and FY2020.

The Future

It is without a doubt that our disruptive business model is scalable across the region in untapped markets that are awaiting an innovative genre of affordable and healthy family entertainment. Expansion initiatives into other ASEAN cities are in the works and we are working tirelessly behind the scenes to achieve our growth aspirations. Backed by our strong management team, unique recreational experience and cost-competitive business model, we are well-poised to capture additional opportunities in the region.

The traditional US and European theme park operations seldom align ticket prices with local purchasing power. With costly equipment and extensive design specifications, that business model has greatly impacted the financial viability of the traditional theme park business models especially in this region.

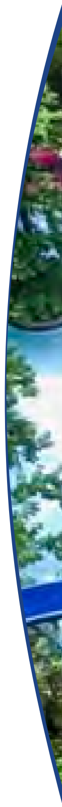
We are different because ESCAPE leverages on competitive land, operating and maintenance costs. With a large proportion of our costs being fixed, we are able to benefit from increasing profit margins as visitor numbers increase. This is most assuredly backed by our unique experience of being involved in theme park development across the world for over 30 years.

Appreciation

On behalf of the Board, I would like to express our sincere appreciation and gratitude to our shareholders for their enduring belief in the long-term prospects of ESCAPE. We are on a quest for world domination in the theme park industry!

I would also like to express our appreciation to our colleagues, the management team, business partners and associates for their unwavering support throughout the years. More than anything, our people and their dedication make ESCAPE what it is today and I look forward to entering a new decade of generating fun and more smiles per hour with all of you.

Sim Choo Kheng
Founder, Executive Director and CEO



Board Of Directors

From left to right:
Sim Choo Kheng; Silviya Georgieva Georgieva; Tay Eng Kiat Jackson
Chung Yew Pong; Yong Oi Ling

Sim Choo Kheng
Founder, Executive Director and CEO

Sim Choo Kheng has devoted 30 years of his life to the Leisure Industry. He is a visionary and a true entrepreneur who has persevered in creating a new theme park / family entertainment genre with his revolutionary thinking. Through sheer hard work, Mr Sim built Sim Leisure Group from scratch to become a leading developer and operator of theme parks.

Mr Sim began his career in 1990 as a theme park employee before he took the big step to set up his own business in 1993 first by providing theme park management services then theme park design and contracting, a business journey that took him on across the globe for the next 25 years. Mr Sim and his team have worked on more than 100 major theme park projects before he took Sim Leisure's ESCAPE theme park division for listing on the Singapore Stock Exchange.

He was involved in numerous projects such as Ski Egypt, Universal Studios Singapore, Legoland in Denmark, Yas Island in Abu Dhabi, as well as La Mer Water Park, Motiongate and Bollywood Dubai. Having also operated and managed theme parks in Bulgaria, Armenia, Malaysia and Vietnam, Mr Sim has developed an in-depth knowledge of the theme park industry.

With his cross-cultural experience in the industry over the decades, Mr Sim opened his very own theme park, ESCAPE, which is based on reintroducing the outdoor fun of Mr Sim's childhood through active self-directed play, providing healthy family fun to the masses. This theme park's cost-competitive business model sets itself apart from other brands, showing financial success over the years since its opening.

Backed by his cross-cultural international experience in doing business across multiple continents and deep understanding of theme parks, Mr Sim developed ESCAPE, a disruptive and cost-competitive theme park business model catered to markets seeking affordable and healthy family entertainment. The ESCAPE brand of theme parks differentiates itself with its unique approach to design while providing affordable quality fun where everyone plays the games of yesteryear recreated for today.

Silviya Georgieva Georgieva
Executive Director

Silviya Georgieva has been with Sim Leisure since 2006 and is instrumental in successfully implementing strategy for Quality Control and the Human Resource management. She is responsible for ensuring that the Group's management systems and processes meet international standards, including achieving the ISO 9001 certification for the Group. Silviya leads the organization's planning, implementation, and control of quality assurance programs while reducing overall operating costs.

She has also been actively involved in recruitment and human capital initiatives to drive efficiency across the Group's theme park operations. Her keen attention to detail and hands-on approach to park operations have also led to improved productivity and the effective utilisation of manpower.

Silviya graduated from the Varna Free University in 2002 with a Bachelor's Degree in Business Administration before obtaining a Master's Degree specializing in Economics and Marketing in 2005.

Chung Yew Pong is our Independent Director. He is currently the Executive Director of Incitable Digital Asia Sdn Bhd and Cadence Venture Capital Sdn Bhd since May 2017 and October 2018 respectively. Incitable Digital Asia Sdn Bhd specializes in investment and consulting while Cadence Venture Capital Sdn Bhd is in the business of venture capital management.

Mr Chung has more than 20 years of experience in various industries including audit, corporate banking, fund management, private equity and venture capital. In addition, he was also part of an equity crowdfunding platform and sat on the board of an e-wallet company in Malaysia.

He obtained a Bachelor of Commerce degree and Bachelor of Business (Hons) degree at Monash University in 1995 and 1996, respectively. He is currently a member of the Malaysian Institute of Accountants, the ASEAN Chartered Professional Accountants and Singapore Institute of Directors, a Council member and Fellow at CPA Australia and a Fellow at Chartered Institute of Management Accountants (United Kingdom).

Tay Eng Kiat Jackson is our Chairman and Independent Director.

Mr Tay has more than 17 years of experience in accounts and finance functions of various entities in the public and private sectors. He is currently the Chief Operating Officer and Company Secretary of Hafary Holdings Limited ("Hafary") where he oversees Hafary's operational and corporate secretarial functions, which includes business development and investor relations. He also spearheads Hafary's overall corporate and strategic development in Singapore and overseas. Prior to this, Mr Tay was responsible for the preparation of financial results and the implementing and maintaining of Hafary's financial and management reporting system, leading to Hafary's transfer to the Mainboard of the Singapore Exchange Securities Trading Limited in 2013.

Mr Tay is also an Independent Director of OUE Lippo Healthcare Limited and Sapphire Corporation Limited.

Mr Tay holds a Bachelor of Accountancy (Minor in Marketing) degree from Nanyang Technological University, Singapore and is a member of the Institute of Singapore Chartered Accountants.

Yong Oi Ling is our Independent Director. She is currently the Chief Trainer of Liam Consultants Pte. Ltd. where she is among several recognized trainers who lecture with the SGX Academy and conduct courses for professionals in the financial services industry. She has over 30 years of experience in the finance and stockbroking industries leading teams in various investment banks in sales and research. She holds a CSQS from the Institute of Chartered Secretaries and Adminstrators London.

Ms Yong started her career as a corporate journalist with Business Times Malaysia in 1983 before joining the equities market as an analyst and worked her way to becoming Associate Director of Research at UBS Research. Thereafter, she joined CLSA in institutional sales in January 1996 before being promoted to Head of Institutional Sales (Malaysia). In November 2004, she was hired by the securities arm of Austrailian-based investment bank Macquarie Group as its Head of Institutional Sales (Malaysia). Her next appointment was as Head of Institutional Sales (Asia) in UOB Kay Hian Holdings where she worked from August 2008 till November 2011. Between October 2013 and March 2017, she was the Regional Head of Institutional Equities in RHB Investment Bank where she provided strategy and direction for the institutional business. She oversaw to over 200 personnel in five countries including Singapore, Malaysia, Thailand, Indonesia and Hong Kong.

Key Management

Seah Kheng Hong is our Chief Financial Officer.

Mr Seah was appointed as Chief Financial Officer of the Company in December 2019.

He is responsible for overseeing the financial and accounting functions of the Group including financial reporting, internal controls and taxation.

He has more than 22 years of experience with responsibilities covering areas of financial planning and analysis, business controllership and financial management. He was with Huawei Technologies (M) Sdn Bhd from March 2006 to August 2018, where he held several positions from Accountant in March 2006 to Business Finance Controller up to August 2018. He joined ME Insights Asia Group Sdn Bhd in September 2018 as Finance Manager before being promoted as Head of Finance until 15 December 2019.

He obtained a Bachelor of Commerce, majoring in Accounting in 1999 from the University of Tasmania, Australia. Mr Seah is also a member of CPA Australia and a member of the Malaysian Institute of Accountants.

Group Structure

- **SIM LEISURE GROUP LTD.**
  - 100% — Sim Leisure Hong Kong Ltd
  - 60% — Sim Leisure Creative Pte Ltd
  - 100% — Sim Leisure Escape Sdn Bhd
    - 51% — Sim Leisure Milan Sdn Bhd
    - 100% — Sim Leisure Challenge Sdn Bhd
    - 100% — Sim Leisure Adventureplay Sdn Bhd
    - 100% — Sim Leisure Waterplay Sdn Bhd
    - 60% — Sim Leisure Rock Sdn Bhd

Financial Review

REVIEW OF THE GROUP'S PERFORMANCE

Group revenue increased by 4% or RM0.80 million, from RM21.06 million in the financial year ended 31 December 2018 ("FY2018") to RM21.86 million in the financial year ended 31 December 2019 ("FY2019"). This was mainly attributable to the opening of the Guinness World Record's longest inner tube water slide measuring 1,111 metres and ESCAPE Gravityplay, the third of the Group's ESCAPE series of theme parks in Penang in November 2019.

Cost of sales decreased by 1% or RM0.09 million, from RM8.72 million in FY2018 to RM8.63 million in FY2019. The marginal decrease was consistent with the Group's continuous effort to maintain the low maintenance costs of the theme park business.

Gross profit increased by 7% or RM0.89 million, from RM12.34 million in FY2018 to RM13.23 million in FY2019, with gross profit margin improving from 59% in FY2018 to 61% in FY2019. The improvement was mainly due to greater economies of scale, in view of the fact that a majority of the cost of sales, such as depreciation and staff costs, are non-variable costs.

Other income decreased slightly by RM0.01 million, from RM0.02 million in FY2018 to RM0.01 million in FY2019.

Administrative and other expenses increased by 282% or RM7.93 million, from RM2.81 million in FY2018 to RM10.74 million in FY2019. The increase was mainly due to (i) one-off initial public offering ("IPO") related expenses of RM3.98 million incurred in FY2019; (ii) increase in legal and professional fees of RM0.54 million; (iii) increase in the remuneration of the executive Directors and Directors' fees incurred for the Independent Directors of the holding company of RM0.68 million; (iv) increase in administrative staff cost for the Group of RM1.19 million due to higher bonus expenses and additional headcount in FY2019; and (v) increase in advertising expenses of RM0.37 million.

Finance costs decreased by 74% or RM1.14 million, from RM1.54 million in FY2018 to RM0.40 million in FY2019. The decrease in finance costs was mainly due to lower interest expenses in respect of the redeemable convertible preference shares ("RCPS"), which were fully redeemed in March 2019.

Profit for the year

The Group recorded a profit after tax of RM0.23 million in FY2019, as compared to a profit after tax of RM5.90 million in FY2018. Excluding one-off IPO related expenses of RM3.98 million, the Group would have made a profit after tax of RM4.21 million in FY2019.

Comparing the operational performance of the theme parks for FY2019 and FY2018, excluding the one-off IPO related expenses of RM3.98 million and the expenses incurred by the ultimate holding company to maintain listing status on SGX (comprising Directors' fees, audit fees, sponsorship and other compliance fees) of RM1.36 million in FY2019, the Group would have recorded a profit after tax generated purely from its operations of the theme parks of RM5.57 million in FY2019, as compared to RM5.90 million in FY2018, which constituted a marginal decrease of RM0.33 million year-on-year.

REVIEW OF THE GROUP'S FINANCIAL POSITION

Non-current assets

The Group's non-current assets, which comprised plant and equipment, right-of-use ("ROU") assets and deferred tax assets, increased by 42% or RM20.71 million, from RM48.75 million as at 31 December 2018 to RM69.46 million as at 31 December 2019. The increase was mainly due to the capitalisation of assets of ESCAPE Gravityplay amounting to RM12.32 million and the recognition of ROU assets for leases amounting to RM9.62 million.

Current assets

The Group's current assets increased by 3% or RM0.18 million, from RM6.03 million as at 31 December 2018 to RM6.21 million as at 31 December 2019. This was mainly due to an increase in cash and cash equivalents of RM1.30 million and short-term deposits of RM1.00 million, partially offset by a decrease in (i) prepayments of RM2.08 million mainly from prepaid listing expenses charged out during the financial year; and (ii) inventories of RM0.63 million mainly due to higher food and beverage sales towards end of FY2019.

Equity

The Group's equity increased by 53% or RM17.86 million, from RM33.73 million as at 31 December 2018 to RM51.59 million as at 31 December 2019. The increase was due to (i) new shares issued in relation to the IPO of RM16.18 million; (ii) an increase of RM1.33 million in capital reserve due to the recognition of share based payment for IPO expenses; and (iii) a marginal increase in retained earnings of RM0.23 million due to the net profit recorded for FY2019, partially offset by the repayment of RCPS of RM3.06 million.

Non-current liabilities

The Group's non-current liabilities increased by 1,033% or RM16.52 million, from RM1.60 million as at 31 December 2018 to RM18.12 million as at 31 December 2019. This was due to (i) increase in lease liabilities of RM9.34 million in relation to ROU assets; (ii) increase in the non-current portion of a loan obtained in FY2019 amounting to RM5.80 million; and (iii) increase in deferred tax liabilities of RM1.38 million due to asset capitalisation of ESCAPE Gravityplay amounting to RM12.32 million.

Current liabilities

The Group's current liabilities decreased by 69% or RM13.48 million, from RM19.44 million as at 31 December 2018 to RM5.96 million as at 31 December 2019. This was mainly due to the full redemption of RCPS of RM15.93 million, partially offset by an increase in the current portion of a loan obtained in FY2019 of RM2.44 million. The RCPS was fully redeemed and any dividends accrued on the RCPS was fully repaid on 4 March 2019. In addition to the above, (i) lease liabilities increased by RM0.25 million in FY2019 due to the adoption of SFRS(I) 16 Leases in FY2019; and (ii) current income tax payable decreased by RM0.49 million in FY2019 due to a decrease in taxable income for FY2019.

Working capital position

The working capital of the Group improved to a positive working capital position of RM0.25 million as at 31 December 2019, as compared to a negative working capital position of RM13.42 million as at 31 December 2018.

REVIEW OF THE GROUP'S CASH FLOW

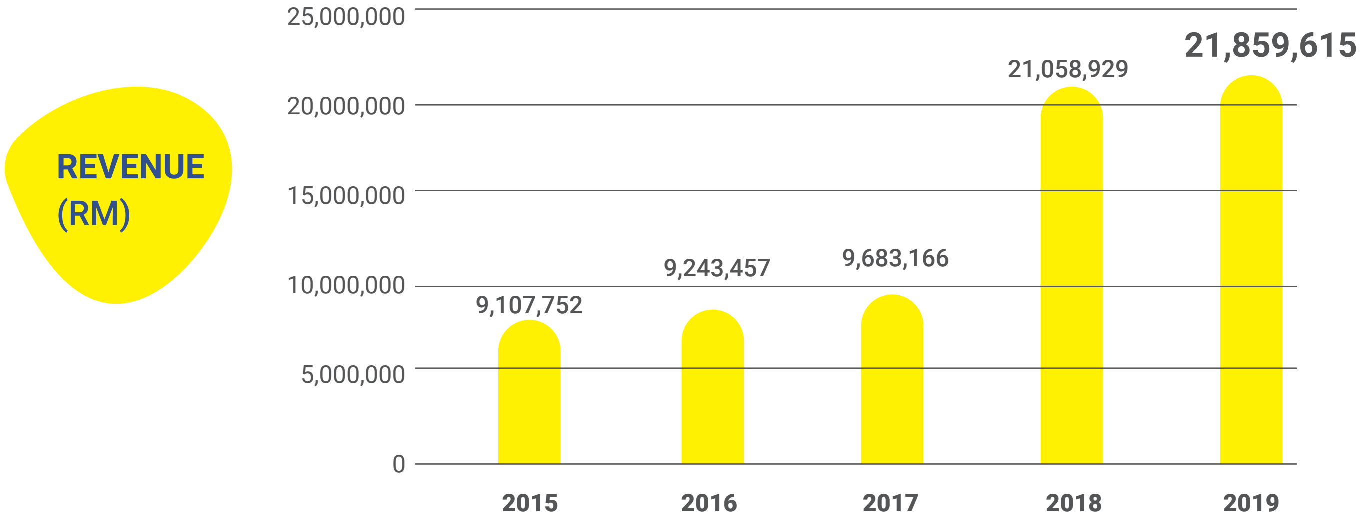
Operating activities: Net cash generated from operating activities for FY2019 was RM7.68 million, due to operating cash flows before changes in working capital of RM6.41 million, changes in working capital of RM2.19 million and income tax paid of RM0.92 million. Changes in working capital were due to the (i) decrease in inventories of RM0.06 million; (ii) increase in trade and other receivables of RM0.02 million; (iii) decrease in prepayments of RM1.90 million mainly from prepaid listing expenses charged out; and (iv) increase in trade and other payables of RM0.25 million.

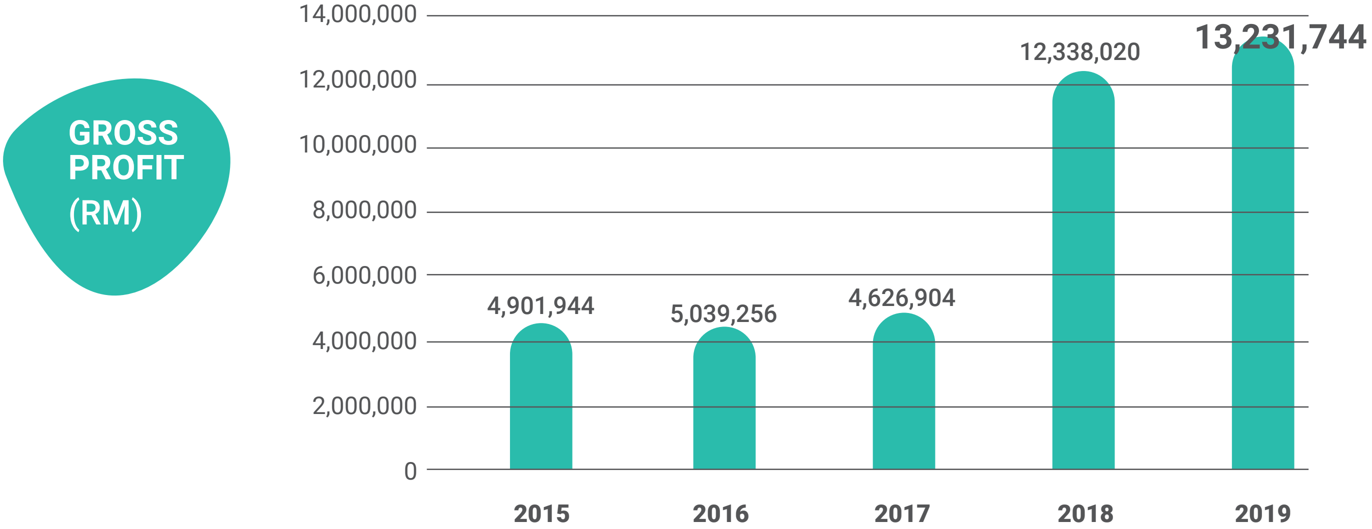
Investing activities: Net cash used in investing activities for FY2019 of RM13.55 million was mainly due to the purchase of plant and equipment in relation to the construction of ESCAPE Gravityplay.

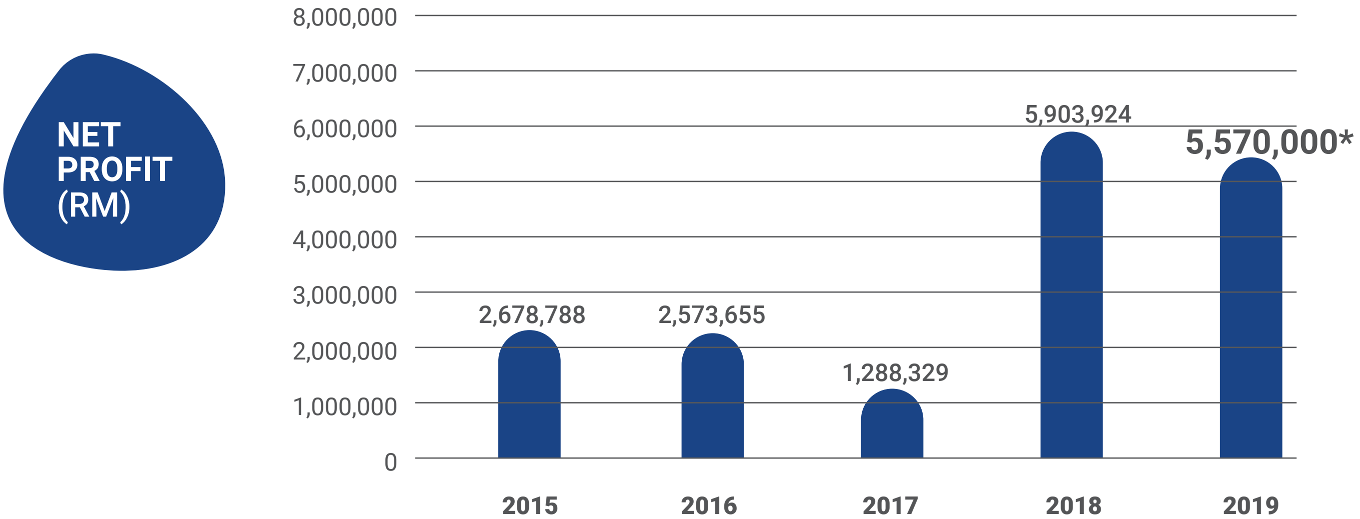
Financing activities: Net cash generated from financing activities for FY2019 of RM7.17 million was mainly from the net proceeds from the issuance of new ordinary shares for the IPO of RM16.58 million and proceeds from borrowings of RM9.07 million, partially offset by (i) repayment of RCPS of RM16.00 million; (ii) payment of interest incurred on RCPS of RM0.24 million; (iii) deposits pledged of RM1.0 million; (iv) repayments of borrowings and lease liabilities of RM1.17 million; and (v) interest paid of RM0.07 million.

As a result of the above, cash and cash equivalents increased by RM1.30 million, from RM1.70 million as at 1 January 2019 to RM3.00 million as at 31 December 2019.

Financial Highlights







* Excluding IPO expenses of RM3.98 million as well as expenses incurred by the ultimate holding company to maintain listing status on SGX (comprising Directors' fees, audit fees, sponsorship and other compliance fees) of RM1.36 million in FY2019, the profit after tax generated purely from the Group's operations of the theme parks in FY2019 would have been RM5.57 million

Corporate Information

Company Registration Number
201808096D

Board of Directors
Sim Choo Kheng
(Executive Director and CEO)

Silviya Georgieva Georgieva
(Executive Director)

Tay Eng Kiat Jackson
(Chairman and Independent Director)

Chung Yew Pong
(Independent Director)

Yong Oi Ling
(Independent Director)

Audit Committee
Tay Eng Kiat Jackson (Chairman)
Chung Yew Pong
Yong Oi Ling

Nominating Committee
Yong Oi Ling (Chairman)
Tay Eng Kiat Jackson
Chung Yew Pong

Remuneration Committee
Chung Yew Pong (Chairman)
Tay Eng Kiat Jackson
Yong Oi Ling

Company Secretary
Chua Kern (LLB (Hons))

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#26-03, Oxley Tower
Singapore 068906
Tel: (65) 6236 9346
www.simleisuregroup.com

Principal Place of Business
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11050 Penang, Malaysia

Share Registrar
B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

Independent Auditor
BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner-in-charge: Aw Vern Chun Philip
(Appointed since the financial year ended 31 December 2019)

Principal Banker
Public Bank Berhad

Sponsor
ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

CORPORATE GOVERNANCE REPORT AND FINANCIAL REPORT

CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**" or the "**Directors**") and the management ("**Management**") of Sim Leisure Group Ltd. (the "**Company**"), and together with its subsidiaries (the "**Group**") are committed to maintaining a high standard of corporate governance within the Company and the Group by complying with the principles and provisions as set out in the Code of Corporate Governance 2018, which was revised and issued on 6 August 2018 (the "**Code**"). This report describes the Group's corporate governance practices for the financial year ended 31 December 2019 ("**FY2019**") with specific reference to the principles and provisions of the Code pursuant to Rule 710 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**").

The Board is pleased to report that, for FY2019, the Company has complied with the principles of the Code, and the provisions of the Code (except where otherwise explained). In areas where the Company's practices vary from any provisions of the Code, the Company has stated herein the provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

1. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1

The Company is headed by an effective Board to lead and control its operations and affairs. The principal function of the Board is the overall management and corporate governance of the Group including establishing strategic objectives and providing entrepreneurial leadership. The Board's key responsibilities include charting and reviewing the Group's overall business strategy, supervising the Management as well as reviewing the Group's financial performance and managerial performance while considering sustainability issues as part of its strategic formulation.

In addition, the Board has an obligation to the shareholders of the Company (the "**Shareholders**") and other stakeholders of the Company to safeguard their interests and the Company's assets by establishing a framework of prudent and effective controls which enables risk to be assessed and managed, setting the Company's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and being met, as well as identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation.

All Directors, expected to exercise due diligence and independent judgment, are obliged to act in good faith and objectively in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Provision 1.2

Directors understand the Company's business as well as their directorship duties (including their roles as Executive, Non-Executive and Independent Directors). The Company does not have a formal training programme for Directors but all new Directors will undergo an orientation in order to be provided with background information about the Group's history, strategic direction and industry-specific knowledge. The Directors will also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations. Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. The Company will also arrange for first-time Directors to attend relevant training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and, if necessary, in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. Upon appointment, the newly appointed Directors will be provided a formal letter setting out their duties and obligations. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company. Please refer to Provision 4.5 in this report for further information.

Pursuant to the requirements of Rule 406(3)(a) of the Catalist Rules, save for Tay Eng Kiat Jackson, our Directors do not have prior experience as directors of public-listed companies in Singapore prior to its listing on the SGX-ST on 1 March 2019 ("**Listing**"). Whilst our Directors (other than Tay Eng Kiat Jackson) have no prior experience as directors of public-listed companies in Singapore, in preparation for the Listing, all Directors and relevant key management personnel of the Group attended a briefing conducted by ZICO Insights Law LLC of their roles and responsibilities as a director of a listed company. Each of the Directors (other than Tay Eng Kiat Jackson) has undertaken training as prescribed by the SGX-ST pursuant to Practice Note 4D of the Catalist Rules by the end of the first year of the Listing.

All Directors are also provided with regular updates on developments in financial reporting and governance standards, as well as changes in the relevant laws and regulations to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Group and/or Directors are circulated to the Board.

Provision 1.3

The Board decides on matters that requires its approval and clearly communicates this to Management in writing. Matters that require the approval of the Board include, but are not limited to, the following:

(a) matters that involve a conflict of interest of a controlling Shareholder or a Director or persons connected to such Shareholder or Director;

(b) approval of announcements to be released via the Singapore Exchange Network ("**SGXNet**"), including half-yearly and full year financial results announcements;

(c) approval of operating budgets, annual and interim reports, financial statements, Directors' statements and annual reports;

(d) share issuance, interim dividends and other returns to Shareholders;

(e) authorisation of banking facilities and corporate guarantees;

(f) approval of change in corporate business strategy and direction;

(g) appointment/cessation, and remuneration packages of the Directors and key management executives;

(h) any matters relating to the Company's general meetings, Board and Board Committees (as defined below); and

(i) approval of material investment and divestment proposals, acquisitions and disposals, and funding requirements.

Provision 1.4

The Board has, without abdicating its responsibilities, delegated certain matters to three (3) main sub-committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"), which operate under clearly defined written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The Board Committees play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance. The respective Chairmen of the Board Committees report the outcome of the Board Committee meetings to the Board. The composition and description (including the terms of reference) of each Board Committee are set out in this report.

Provision 1.5

The schedule of all the Board and Board Committee meetings as well as the annual general meeting of the Company ("**AGM**") for the next calendar year is planned well in advance. The Board will meet at least twice yearly and whenever warranted by particular circumstances. Ad-hoc, non-scheduled Board meetings may be convened to deliberate on urgent substantial matters. In addition to these meetings, corporate events and actions requiring the Board's approval may be discussed over the telephone, followed by Directors' resolutions in writing being passed. Regulation 101(A) of the Company's Constitution (the "**Constitution**") allows a Board meeting to be conducted by way of tele-conference and video conference.

Two (2) Board meetings were held in FY2019 to review and discuss, amongst others, the financial performance of the Group in FY2019 and the unaudited half-yearly and full year financial results announcements of the Group for FY2019. Directors attend and actively participate in Board and Board Committee meetings. The attendance of the Directors at the meetings of the Board and the Board Committees during FY2019 is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Number of meeting held	**2**	**2**	**1**	**1**
Attendance:				
Sim Choo Kheng	2	2(2)	1(2)	1(2)
Silviya Georgieva Georgieva	2	2(2)	1(2)	1(2)
Wesley James Rae(1)	2	-	-	-
Tay Eng Kiat Jackson	2	2	1	1
Chung Yew Pong	2	2	1	1
Yong Oi Ling	2	2	1	1

Notes:

(1) Wesley James Rae resigned as the Non-Executive and Non-Independent Director with effect from 25 February 2020.

(2) Attendance at meetings were "By Invitation".

Provision 1.6

Management provides Directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Detailed Board and Board Committee papers are prepared and circulated to the Directors before each Board and Board Committee meeting. The Board and Board Committee papers include sufficient information on financial, budgets, business and corporate issues (where applicable) to enable the Directors to be properly briefed on issues to be considered at the Board and Board Committee meetings. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key personnel who can provide additional insight into the matters at hand would be present at the relevant time during the Board and Board Committee meetings.

The Board receives half-yearly financial performance results, annual budgets and explanation on material forecasts variances to enable them to oversee the Group's operational and financial performance as well as risks faced by the Group. Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

All Directors have unrestricted access to the Company's records and information. The Directors may also liaise with the Management as and when required to seek additional information.

Provision 1.7

All Directors have separate and independent access to the Management and the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, and, where necessary, external advisers at the Company's expense. The Company Secretary and/or his representatives attend all the Board and Board Committees meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

Should the Directors, whether as a group or individually, need independent professional advice, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

In respect of FY2019, the Board comprises six (6) members, four (4) of whom are Non-Executive Directors including three (3) Independent Directors, details (including Board Committee membership) of which are as follows:

		Board Committee Membership		
Name of Director	**Designation**	**AC**	**NC**	**RC**
Sim Choo Kheng	Executive Director and Chief Executive Officer	–	–	–
Silviya Georgieva Georgieva	Executive Director	–	–	–
Wesley James Rae(1)	Non-Executive and Non-Independent Director	–	–	–
Tay Eng Kiat Jackson	Chairman and Independent Director	Chairman	Member	Member
Chung Yew Pong	Independent Director	Member	Member	Chairman
Yong Oi Ling	Independent Director	Member	Chairman	Member

Note:

(1) Wesley James Rae resigned as the Non-Executive and Non-Independent Director with effect from 25 February 2020.

Provision 2.1

The independence of each Director is reviewed by the NC, based on the guidelines as provided in the Code as well as Rule 406(3)(d) of the Catalist Rules, and any other salient factors. The independence of each Director is assessed and will be reviewed at least annually by the NC. In its deliberation as to the independence of a Director, the NC takes into account examples of relationships as set out in the Code. There is no policy to prohibit or require Independent Directors to hold shares in the Company. Chung Yew Pong holds 32,000 shares in the Company amounting to less than 0.1% of the total issued shares in the Company. The NC and the Board are of the view that the holding of shares by Independent Directors of less than 5.0% of the total issued shares in the Company encourages the alignment of their interests with the interests of Shareholders without compromising their independence. The NC has reviewed, determined and confirmed the independence of each Director for FY2019.

For FY2019, save as disclosed above, the Independent Directors (namely Tay Eng Kiat Jackson, Chung Yew Pong and Yong Oi Ling) have confirmed that they or their immediate family members do not have any relationship with the Company or any of its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company, and do not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors were not in foreseeable situation that could compromise their independence of thought and decision. The Board, based on the review conducted by the NC, has determined that the said Directors are independent for FY2019.

There are no Independent Directors who has served on the Board beyond nine (9) years from the date of his or her first appointment.

Provisions 2.2 and 2.3

The Chairman of the Board is an Independent Director. Notwithstanding, as at the date of this report and following the resignation of Wesley James Rae as the Non-Executive and Non-Independent Director with effect from 25 February 2020, there is no other Non-Executive and Non-Independent Director on the Board and the Board comprises a majority of three (3) Directors (out of a five (5) member Board) who are Independent Directors.

Provision 2.4

The key information of the Directors (as at the date of this report), including their academic and professional qualifications, shareholding interests in the Group, Board Committees served on, first appointment dates, last re-appointment dates, present directorships in other listed companies, and their other principal commitments, are set out in this report, as well as in the sections entitled "Board of Directors" and "Directors' Statement" of this Annual Report. None of the Directors is related to one another, with the exception of Sim Choo Kheng and Silviya Georgieva Georgieva, who are spouses.

The Board members collectively possess the necessary core competencies such as accounting, finance, investment, business and management experience, corporate governance, industry knowledge and strategic planning experience for the effective functioning of the Board and an informed decision-making process. In respect of FY2019 and prior to the resignation of Wesley James Rae (Non-Executive and Non-Independent Director) with effect from 25 February 2020, the Board is of the view that with half of the Board being independent and the Chairman of the Board being an Independent Director, there is a strong independent element on the Board. This is to ensure that there is effective representation for Shareholders and issues of strategy, performance and resources are fully discussed and examined to take into account long-term interest of Shareholders, employees, customers, suppliers, other stakeholders and the industry in which the Group conducts its business.

Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and take into account the long-term interests of not only the Shareholders, but also of the employees and reviewing the performance of the Management in achieving agreed goals and objectives. The NC considers the Independent Directors to be of sufficient calibre and number and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

To maintain or enhance the balance and diversity of the Board, the NC will review the size and composition of the Board and the Board Committees annually to ensure that the Board and the Board Committees are of an appropriate size, and comprise persons who as a group provides the appropriate balance and mix of skills, knowledge, expertise and experience, and other aspects of diversity such as gender and age, so as to avoid group think and foster constructive debate and to enable the Management to benefit from a diverse perspective of issues that are brought before the Board and the Board Committees. The Company does not have a Board diversity policy but it consists of professionals from various disciplines. The Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance the balance and diversity within the Board.

The Board has reviewed and believes that its composition achieves diversity of skills, knowledge and experience as further described as follows:

	No. of Directors	**Proportion of Board (as at the date of this report)**
Core Competencies		
Accounting/Finance/Legal/Corporate governance	2	40%
Industry/Customer based-knowledge or experience	2	40%
Strategic planning experience	5	100%

The NC is of the view that the current Board and the Board Committees comprise persons who as a group provides an appropriate balance and mix of skills, experience, expertise and knowledge to the Company, as well as provides a diversity of gender with two (2) female Directors, one (1) of whom is an Executive Director and one (1) of whom is an Independent Director. The NC has reviewed the size and composition of the Board and the Board Committees, and together with the Board, taking into account the scope and nature of the operations of the Group, is of the view that the current size and the composition of the Board and the Board Committees are appropriate to meet the Company's objectives and facilitates effective decision-making.

There is no alternate Director on the Board.

Provision 2.5

The Non-Executive Directors (including Independent Directors) have the necessary experience and expertise to assist the Board in decision-making and provide greater balance to the Board as they do not participate in the day-to-day running of the Group. The Non-Executive Directors may challenge and help develop proposals on strategy, review the performance of and to extend guidance to the Management. The Company will co-ordinate informal meeting sessions to be led by the Independent Chairman or such other Independent Director as appropriate, for the Non-Executive Directors to meet regularly without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.3

The Chairman of the Board and the Chief Executive Officer ("**CEO**") are separate persons in order to provide an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the Chairman of the Board and CEO. The Company did not appoint a lead independent Director in FY2019 as the Chairman, Tay Eng Kiat Jackson, an Independent and Non-Executive Director, and the Executive Director and CEO, Sim Choo Kheng, are not related to each other and do not have any business relationship between them. In respect of Provision 3.3 of the Code, the Chairman and Independent Director functions as a lead independent Director in that he is available to Shareholders where they have concerns and for which contract through the normal channels of communication with the CEO or Management are inappropriate or inadequate. There were no query or request on any matters which requires the Chairman and Independent Director's attention received in FY2019.

Provision 3.2

The Chairman is responsible for the effective functioning of the Board and exercises control over the quality, quantity and timeliness of information flow between the Board and the Management and effective communication with Shareholders and other stakeholders. In addition, the Chairman encourages constructive relations among the Directors and the Board's interaction with the Management, as well as facilitates effective contribution from Non-Executive Directors. The Chairman's responsibilities in respect of the Board proceedings include:

(a) in consultation with the CEO, setting the agenda (with the assistance of the Company Secretary) and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(b) ensuring that all agenda items are adequately and openly debated at the Board meetings;

(c) ensuring that all Directors receive complete, adequate and timely information; and

(d) assisting in ensuring that the Group complies with the Code and maintains high standards of corporate governance.

The CEO has full executive responsibilities in the business directions and operation efficiency of the Group. He oversees execution of the Group's corporate and business strategies and is responsible for the day-to-day running of the business. All major proposals and decisions made by the CEO are discussed and reviewed by the Chairman and the AC. His performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As each of the AC, NC and RC consist of all Independent Directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.2

The NC comprises three (3) Independent Directors, namely, Yong Oi Ling (Chairman of the NC), Chung Yew Pong and Tay Eng Kiat Jackson. The Chairman and Independent Director, Tay Eng Kiat Jackson, who functions as a lead independent Director, is a member of the NC.

Provision 4.1

The terms of reference of the NC sets out its duties and responsibilities. Amongst others, the NC is responsible for:

(a) recommending to the Board on relevant matters relating to (i) the review of Board succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel; (ii) the process and criteria for evaluation of the performance of the Board, the Board Committees and the Directors; (iii) the review of training and professional development programs for the Board; and (iv) the appointment and re-appointment of the Directors (including alternate Directors, if applicable);

(b) reviewing and determining annually, and as when circumstances require, if a Director is independent, in accordance with the Code, and any other salient factors;

(c) reviewing and approving any new employment of persons related to the Directors, the CEO or substantial Shareholders and the proposed terms of their employment;

(d) reviewing the size and composition of the Board and Board Committees annually to ensure that the Board and the Board Committees comply with the Code and the Catalist Rules;

(e) implementing a process to assess the effectiveness of the Board as a whole and the Board Committees and for assessing the contribution by each individual Director and the Chairman to the effectiveness of the Board. The Chairman will act on the results of the performance evaluation of the Board and the Board Committees as well as each individual Director, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of Directors; and

(f) where a Director has multiple board representations, to decide whether or not the Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representation, the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments.

The NC is scheduled to meet at least once a year and at such other times as may be necessary. In respect of FY2019, one (1) NC meeting was held. The purpose of the meeting was primarily to review the performance of the Board and to confirm matters regarding the re-election of Directors at the forthcoming AGM as reported below.

Each member of the NC shall abstain from voting on any resolutions in respect to his or her re-nomination as a Director.

Provision 4.3

The Company has put into place a process for selecting, appointing new Directors and re-appointing Directors to the Board. Where there is a need to appoint a new Director, the NC will evaluate the balance and mix of skills, knowledge and experience on the Board and Board Committees in order to identify the essential and desirable competencies of the candidate. The NC has also encouraged the Board to go beyond their immediate circle of contacts, including using third party search firms and institutions, to identity a broader range of suitable candidates. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, before making its recommendation to the Board.

CORPORATE GOVERNANCE REPORT

The NC is charged with the responsibility of re-nomination having regard to a Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. With effect from 1 January 2019, pursuant to Rule 720(4) of the Catalist Rules, all Directors must submit themselves for re-nomination and re-appointment at least once every three (3) years. Pursuant to the Company's Constitution and in particular to Regulation 102 therein, at least one-third of the Directors shall retire by rotation at every AGM and a retiring Director shall be eligible for re-election. In this regard, Sim Choo Keng and Tay Eng Kiat Jackson ("**Retiring Directors**") will be retiring by rotation and have been nominated by the NC for re-appointment at the forthcoming AGM. In making the recommendation, the NC had considered the Retiring Directors' contribution and performance to the Board and the Group. Tay Eng Kiat Jackson, being a member of the NC, had abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a Director.

Sim Choo Kheng will, upon re-election as a Director, remain as Executive Director and CEO of the Company. Tay Eng Kiat Jackson will, upon re-election as a Director, remain as Chairman and Independent Director, Chairman of the AC and a member of the NC and the RC.

Please refer to the Notice of AGM for the resolutions put forth in relation to the respective re-elections of the Retiring Directors, as well as detailed information on each Retiring Director as set out in the section entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report.

Other than the key information regarding the Directors (as at the date of this report) set out below, information pertaining to the Directors' interests in shares, options and other convertible securities are set out in the section entitled "Directors' Statement" of this Annual Report, and information in relation to the background and principal commitments of the Directors are set out in the section entitled "Board of Directors" of this Annual Report.

CORPORATE GOVERNANCE REPORT

Name of Director	Board appointment	Date of first appointment	Date of last re-election	Present directorships in other listed companies and other principal commitments
Sim Choo Kheng	Executive Director and Chief Executive Officer	8 March 2018	30 April 2019 (to be re-elected at the forthcoming AGM)	Present Directorships Nil Other Principal Commitments • Sim Leisure Adventureplay Sdn. Bhd. • Sim Leisure Escape Sdn. Bhd. • Sim Leisure Waterplay Sdn. Bhd. • Sim Leisure Consultants Sdn. Bhd. • Gabrovo Sdn. Bhd. • Sim Leisure Builders Sdn. Bhd. • Sim Leisure Design Sdn. Bhd • Nha Hang Viet Nam Sdn. Bhd. • Sim Leisure Milan Sdn. Bhd. • Sim Leisure Challenge Sdn. Bhd. • Sim Leisure Rock Sdn Bhd. • Sim Leisure Creative Pte. Ltd.
Silviya Georgieva Georgieva	Executive Director	24 December 2018	30 April 2019	Present Directorships Nil Other Principal Commitments • Sim Leisure Adventureplay Sdn. Bhd. • Sim Leisure Escape Sdn. Bhd. • Sim Leisure Waterplay Sdn. Bhd. • Sim Leisure Consultants Sdn. Bhd. • Sim Leisure Builders Sdn. Bhd. • Sim Leisure Design Sdn. Bhd. • Sim Leisure Milan Sdn. Bhd. • Sim Leisure Challenge Sdn. Bhd. • Sim Leisure Rock Sdn Bhd. • Sim Leisure Creative Pte. Ltd.
Tay Eng Kiat Jackson	Chairman and Independent Director	30 October 2018	30 April 2019 (to be re-elected at the forthcoming AGM)	Present Directorships • Sapphire Corporation Limited • OUE Lippo Healthcare Limited Other Principal Commitments • Hafary Pte Ltd • Wood Culture Pte. Ltd. • Hafary Centre Pte. Ltd. • Hafary Balestier Showroom Pte. Ltd. • Xquisit Pte. Ltd. • One Heart Investment Pte. Ltd. • Hafary W+S Pte. Ltd. • One Heart International Trading Private Ltd.
Chung Yew Pong	Independent Director	24 December 2018	30 April 2019	Present Directorship Nil Other Principal Commitments • Incitable Digital Asia Sdn. Bhd • Cadence Venture Capital Sdn Bhd
Yong Oi Ling	Independent Director	24 December 2018	30 April 2019	Present Directorship Nil Other Principal Commitment Nil

Provision 4.4

The NC determines the independence of Directors annually in accordance with the guidelines as set out in the Code as well as Rule 406(3)(d) of the Catalist Rules, and any other salient factors. None of the Independent Directors or their immediate family members has any relationship with the Company, its related corporations, its substantial Shareholders or its officers, if any, that may affect their independence. The NC has reviewed and determined that the Independent Directors (namely Tay Eng Kiat Jackson, Chung Yew Pong and Yong Oi Ling) are independent for FY2019.

Provision 4.5

The NC ensures that new Directors are aware of their duties and obligations. The NC will further decide if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, as well as sufficient time and attention have been given by the Director to the affairs of the Company. The NC considers that the multiple board representations held presently by the Directors and/or their other principal commitments do not impede their performance in carrying out their duties to the Company and it is not necessary at this juncture to put a maximum limit on the number of listed company board representations. The Board, based on the review conducted by the NC, has considered and is satisfied that each Director is able to and has adequately carried out his or her duties as a Director of the Company, as well as sufficient time and attention are given by each Director to the affairs of the Company, in FY2019. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed company board representations as and when they deem fit.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that each of its board committees and individual directors.

Provisions 5.1 and 5.2

The NC has implemented a self-assessment process that requires each Director to assess the performance and effectiveness of the Board as a whole and the Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board, for each financial year. The self-assessment process takes into consideration, amongst others, board structure and composition, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with Shareholders and other stakeholders. The NC will continue to review the objective performance criteria, and where circumstances deem it necessary for any of the criteria to be changed. The performance criteria has been approved by the Board and is not subject to change unless otherwise necessary, in which case the onus will be on the Board to justify the change.

Although the Board's performance evaluation does not include a benchmark index of its industry peers, the Board assesses its effectiveness holistically through the completion of a questionnaire by each individual Director, which includes questions covering the above-mentioned areas of assessment. The questionnaire takes into consideration the guidelines contained in the Code. The questionnaire has to be completed individually by each Director. The NC will collate and review the responses and results of the questionnaire and discuss collectively with other Board members to address or recommend any areas for improvement and follow-up actions.

The review of the effectiveness of the Board as a whole, its Board Committees and the contribution of the Chairman and each individual Director has been undertaken collectively by the Board for FY2019 without the engagement of an external facilitator.

For FY2019, the Board is satisfied that the Chairman and each individual Director has allocated sufficient time and attention to the affairs of the Company, and is of the view that the effectiveness of the Board as a whole and of each of the Board Committees, as well as the contribution of each Director to the effectiveness of the Board and Board Committees has been satisfactory.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.2

The RC comprises three (3) Independent Directors, namely, Chung Yew Pong (Chairman of the RC), Tay Eng Kiat Jackson and Yong Oi Ling.

Provision 6.1

The terms of reference of the RC sets out its duties and responsibilities. Amongst others, the RC is responsible for:

(a) reviewing and recommending to the Board, in consultation with the Chairman, for endorsements, a comprehensive remuneration policy framework and guidelines for remuneration of the Directors and key management personnel;

(b) reviewing and recommending to the Board, for endorsement, the specific remuneration packages for each of the Directors and key management personnel;

(c) reviewing and approving the design of all share option plans, performance share plans and/or other equity-based plans;

(d) reviewing the remuneration of employees related to Directors and/or substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities;

(e) in the case of service contracts, reviewing the Group's obligations in the event of termination of the Executive Directors' or key management personnel contracts of service, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous, with a view to being fair and avoiding the reward of poor performance; and

(f) approving the performance targets for assessing the performance of each of the key management personnel and recommending the performance targets as well as employee specific remuneration packages for each of such key management personnel, for the endorsement of the Board.

Provision 6.3

The RC reviews and recommends to the Board the remuneration packages or policies for the Executive Director/CEO and the key management personnel based on the performance of the Group, the individual Director and the key management personnel. No Director individually decides or is involved in the determination of his or her own remuneration. The RC's recommendations are submitted for endorsement by the Board.

The RC will also review the Company's obligations under the service agreement entered into with the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

An annual review of the compensation will be carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

In respect of FY2019, the RC met on 26 February 2020 to discuss, amongst others, the framework of remuneration for the Directors and key management personnel and Directors' fees.

Provision 6.4

The RC has access to advice from the internal human resource department and, if necessary, may seek external expert advice of which the expenses will be borne by the Company. No external professional advisers or remuneration consultants were engaged by the RC in FY2019.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1, 7.2 and 7.3

The Group's remuneration policy is to provide compensation packages based on market rates which reward successful performance and to attract, retain and motivate Directors and key management personnel. The remuneration packages take into account the performance of the Group, the individual Directors and individual key management personnel.

The Company has adopted an employee share option scheme known as the "Sim Leisure Employment Share Option Scheme" ("**ESOS**") and a performance share plan known as the "Sim Leisure Performance Share Plan" ("**PSP**") in conjunction with the Company's Listing. Executive and non-executive Directors and key management personnel are eligible to participate in the ESOS and the PSP in accordance with the respective rules. The ESOS and the PSP comply with the relevant rules as set out in Chapter 8 of the Catalist Rules. The ESOS and the PSP will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. Both the ESOS and the PSP are administered by the RC. Details of the ESOS and the PSP were set out in the Company's Offer Document dated 22 February 2019 in connection with the Listing ("**Offer Document**"). Since the commencement of the ESOS and the PSP to the end of FY2019, no options and/or awards were granted and no shares were issued under the ESOS and the PSP respectively.

A significant and appropriate proportion of Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performances. Performance-related remuneration is aligned with the interests of Shareholders and other stakeholders and promotes the long-term success of the Company. The Executive Directors do not receive any Directors' fees.

The Independent Directors receive Directors' fees in accordance with their contributions. Directors' fees for the Independent Directors are proposed by the Executive Director/CEO and reviewed and recommended by the RC, based on the effort, time spent and the responsibilities of the individual Independent Directors. No Director is involved in deciding his or her own remuneration. The Independent Directors have not been over-compensated to the extent that their independence is compromised. The total remuneration of the Independent Directors is recommended for Shareholders' approval at each AGM. Save for the ESOS and the PSP, there are no other share-based compensation schemes in place for Independent Directors.

The RC is of the view that there is presently no urgent need to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company and the Group. The Executive Directors owe a fiduciary duty to the Company. The Company would be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

The RC is of the view that the current remuneration structure for the Executive Directors, Independent Directors and key management personnel are appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

CORPORATE GOVERNANCE REPORT

<u>**Disclosure on Remuneration**</u>

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

<u>Provision 8.1</u>

The compensation packages for employees including the Executive Directors and key management personnel comprised a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors and CEO of the Company (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, as well as the need for the compensation to be symmetric with the risk outcomes.

Sim Choo Kheng, the Executive Director and CEO of the Company, has entered into a service agreement with the Company for an initial period of three (3) years with effect from 1 March 2019. For further information on the remuneration of Sim Choo Kheng, please refer to the section entitled "Service Agreement" in the Company's Offer Document for the Listing.

Aggregate Directors' fees for the Independent Directors of S$130,000 for the financial year ending 31 December 2020 ("**FY2020**") (with payment to be made in arrears) have been recommended by the Board and will be tabled for approval by Shareholders at the forthcoming AGM.

A breakdown, showing the level and mix of each individual Director's remuneration for FY2019 is as follows:–

Name of Director	Salary (%)	Bonus and/or profit sharing (%)	Director's fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Sim Choo Kheng	100	–	–	–	100
Silviya Georgieva Goergieva	100	–	–	–	100
Wesley James Rae(1)	–	–	–	–	–
Tay Eng Kiat Jackson	–	–	100	–	100
Yong Oi Ling	–	–	100	–	100
Chung Yew Pong	–	–	100	–	100

A breakdown, showing the level and mix of the top key management personnel (who are not Directors or the CEO) for FY2019, is as follows:

Name of key management personnel(2)	Salary (%)	Bonus and/or profit sharing (%)	Director's fee (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000					
Aw Yeong Weng Kwong(3)	100	–	–	–	100
Afzainizam Bin Abdullah(4)	93	7	–	–	100
Seah Kheng Hong(5)	100	–	–	–	100

Notes:

(1) Wesley James Rae resigned as the Non-Executive Non-Independent Director with effect from 25 February 2020.

(2) There are only three (3) key management personnel of the Group in FY2019.

(3) Aw Yeong Weng Kwong resigned from the Group with effect from 30 October 2019.

(4) Afzainizam Bin Abdullah resigned from the Group with effect from 6 September 2019.

(5) Seah Kheng Hong was appointed as the CFO of the Group with effect from 16 December 2019.

The Code recommends that:–

(a) the company should fully disclose the amounts and breakdown of remuneration of each individual director and the CEO on a named basis; and

(b) the company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).

The Board has decided not to disclose the aforementioned details as recommended by the Code, given the competitive business environment and possible negative impact on the Group's business interests and ability to retain and nurture the Group's talent pool. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

All Directors and key management personnel are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2019.

The Board has not included a separate annual remuneration report to Shareholders in this Annual Report on the remuneration of the Directors and the key management personnel (who are not Directors or the CEO) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Annual Report and in the financial statements of the Company.

Provision 8.2

Save for Sim Choo Kheng and Silviya Georgieva Georgieva, who are spouses, there is no employee of the Group who is a substantial Shareholder of the Company, or is an immediate family member of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2019.

Provision 8.3

Please refer to Principle 7 of this report for information on the ESOS and PSP adopted by the Company. As at the date of this report, no options have been granted under the ESOS and no awards have been granted under the PSP by the Company.

3. ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders.

Provision 9.1

The Board determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives and value creation.

The Board acknowledges that it is responsible for establishing, maintaining and reviewing the adequacy and effectiveness of the Company's overall internal control framework. The Board also recognises that an adequate and effective internal control system will not preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

As the Group does not have a risk management committee, the AC assumes the responsibility of the risk management function. The AC has reviewed, with the assistance of the internal auditors, and the external auditors, the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

The Company has put in place risk management and internal control systems, including financial, operational, compliance and information technology controls, which are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Board has determined the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also monitors the Group's risks through the AC, internal auditors and external auditors.

The Group has an Enterprise Risk Management Framework in place to manage its exposure to risks that are associated with the conduct of its business. The Board will continue its risk assessment, which is an on-going process, with a view to improve the Group's internal control and risk management systems.

Provision 9.2

For FY2019, the Board has received assurance from:

(a) the CEO and the Chief Financial Officer ("**CFO**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the CEO and the other key management personnel that the Group's risk management systems and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective.

Based on the work performed by the internal auditors and external auditors, the review undertaken by the Management, the existing management internal controls in place and the assurance from the CEO, the CFO and other key management personnel, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2019.

Audit Committee

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provisions 10.2 and 10.3

The AC comprises three (3) Independent Directors, namely, Tay Eng Kiat Jackson (Chairman of the AC), Chung Yew Pong and Yong Oi Ling.

The AC is established to assist the Board with discharging its responsibility of safeguarding the Group's assets, maintaining adequate accounting records, and developing and maintaining effective systems of risk management and internal controls. The Board is of the opinion that at least two (2) members of the AC, including the Chairman of the AC, possess recent and relevant accounting or related financial management qualifications, expertise and experience in discharging their duties.

The AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two (2) years from the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Provision 10.1

The terms of reference of the AC sets out its duties and responsibilities. Amongst others, the AC is responsible for:

(a) assisting the Board in the discharge of its statutory responsibilities on financing and accounting matters;

(b) reviewing significant financial reporting issues and judgements to ensure the integrity of the financial statements and any announcements relating to financial performance;

(c) reviewing the periodic financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

(d) reviewing the adequacy, effectiveness, scope and results of the external audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(e) reviewing the external auditor's audit plan and audit report, and the external auditor's evaluation of the system of internal accounting controls, their management letter and the Management's response;

(f) reviewing and discussing with auditors any suspected fraud or irregularity or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the Management's response;

(g) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(h) reviewing the key financial risk areas, the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;

(i) reviewing at least annually the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems, and discussing issues and concerns, if any, arising from the internal auditors;

(j) reviewing the assurance from the CEO and CFO on the financial records and financial statements;

(k) reviewing the scope and results of the internal audit procedures, and at least annually, the independence, adequacy and effectiveness of the Group's internal audit function, and whether the Group's internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience;

(l) reviewing and approving transactions falling within the scope of Chapter 10 of the Catalist Rules (if any);

(m) reviewing any interested person transactions and monitor the procedures established to regulate interested person transactions, and any deviations from the procedures will be subject to the AC's review and approval;

(n) making recommendations to the Board on: (i) the proposals to Shareholders on the appointment, reappointment and removal of the external auditor; and (ii) the remuneration and terms of engagement of external auditors; and

(o) undertaking generally such other functions and duties as may be required by law or the Catalist Rules.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or key management personnel to attend the meetings and has reasonable resources to enable it to discharge its functions. The external auditors have unrestricted access to the AC. The AC is kept updated on new changes to the accounting and financial reporting standards by the external auditors during the year.

External Audit

The AC will assess the independence of the external auditors annually. The aggregate amount of fees paid/payable to external auditors of the Company, BDO LLP, and its network firms for FY2019 was RM258,200, comprising RM232,500 audit fees and RM25,700 non-audit fees acting as tax agent. The AC had reviewed all non-audit services provided by BDO LLP and is of the view that fees for non-audit services were incurred in relation to the Listing and were non-recurring in nature, and accordingly, would not affect the independence of BDO LLP, being the external auditors of the Company. The external auditors have also confirmed their independence in this respect, and that they are registered with the ACRA.

The AC recommends to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditors and approval of the remuneration of the external auditors. After considering the adequacy of the resources and experience of the external auditors' firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group and the number and experience of supervisory and professional staff assigned to the particular audit, and the Audit Quality Indicators Disclosure Framework published by ACRA the AC has recommended to the Board the nomination and re-appointment of BDO LLP as the external auditors for the Company's audit obligations for FY2020, at the forthcoming AGM. The Board has accepted the recommendation of the AC in respect of the aforesaid nomination and re-appointment of BDO LLP.

CORPORATE GOVERNANCE REPORT

The Company confirms that Rule 712 and Rule 715 of the Catalist Rules in relation to the appointment of the audit firms of the Group have been complied with.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matter impacting the financial statements was discussed with the Management and the external auditors, and was reviewed by the AC:

Matter Considered	How the Audit Committee reviewed this matter and what decisions were made
Revenue Recognition	The AC considered the external auditor's audit procedures to address this key audit matter, including the external auditor's evaluation of management's assessment of the application of SFRS(I) 15 and appropriateness of the Group's revenue recognition policies, understanding the controls surrounding the capturing and recording of revenue transactions and testing the revenue recorded by checking against the POS report and reconciliations with relevant supporting documents. Based on the above procedures, the AC was satisfied that this key audit matter has been properly dealt with for purpose of the Board's approval of the financial statements for FY2019.

Whistle blowing policy

The Company has implemented a Whistle Blowing Policy which provides the mechanism for which employees of the Company may in confidence, raise concerns about possible improprieties of financial reporting or other matters. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns. The AC oversees the administration of the policy. Where a complaint has been made, a report will be submitted to the AC for investigation and follow-up. There were no whistle-blowing reports received by the AC in FY2019.

<u>Provision 10.4</u>

Internal Audit

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The internal audit function of the Group has been outsourced to RSM Corporate Consulting (Malaysia) Sdn Bhd, an independent accounting and auditing firm. The Board and the AC will ensure that the internal audit function is sufficiently resourced and internal audits are to be performed by competent professional staff with the relevant qualifications and experience. The primary reporting line of the internal audit function is to the AC. The AC will review annually the independence, adequacy and effectiveness of the internal audit function, and ensure that it has appropriate standing within the Group. The AC will also approve the appointment, removal, evaluation and compensation of the internal audit function. The internal audit function has unfettered access to all of the Company's documents, records, properties and personnel, including the AC.

In respect of FY2019, the AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls, (including financial, operational, compliance and information technology controls) and risk management systems of the Company and the Group. The AC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The Audit Committee is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

<u>Provision 10.5</u>

To create an environment for open discussion on audit matters, the AC will meet with the external auditors and internal auditors, without the presence of the Management, at least once a year.

In respect of FY2019, the AC has met with the external auditors and the internal auditors once, without the presence of the Management.

4. SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1

Shareholders are encouraged to attend all general meetings of the Company to ensure a high level of participation and accountability. The Company will inform Shareholders on the rules governing general meetings of Shareholders. The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the AGM, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGM and extraordinary general meetings, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues.

Shareholders who are not relevant intermediaries can vote in person or appoint not more than two (2) proxies (or in the case of Shareholders who are relevant intermediaries, more than two (2) proxies) to attend, speak and vote on their behalf at the general meetings. There is no provision in the Company's Constitution that limits the number of proxies for nominee companies.

For greater transparency, the Company will put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day on SGXNet.

In presenting the annual financial statements and half-yearly and full-year financial statements announcements to Shareholders, it is the aim of the Board to provide Shareholders with a balanced assessment of the Group's performance, position and prospects. Financial reports and other price-sensitive information are disseminated to Shareholders through announcements via SGXNet and releases via the press. The Management currently provides the Executive Director/ CEO with detailed management accounts of the Group's performance, position and prospects on a monthly basis. Non-Executive Independent Directors are also briefed on significant matters when required and receive management reports on a half-yearly basis.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements.

In line with the Catalist Rules, the Board will provide Shareholders with a negative assurance statement in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. All the Directors and key management personnel of the Group have also signed a letter of undertaking pursuant to Rule 720(1) of the Catalist Rules.

Provision 11.2

Matters which require Shareholders' approval are presented and proposed as each substantially separate resolution. The Company practises having separate resolutions at general meetings for each substantially separate issue unless such issues are interdependent and linked so as to form one significant proposal. Where resolutions are "bundled", the Company will explain the reasons and material implications in the notice of meeting. For FY2019, there were no "bundled" resolutions.

In addition, each item of special business in the notice of general meeting will be accompanied by an explanatory note, where appropriate. Proxy form will also be sent with the notice of general meeting to all Shareholders.

Provision 11.3

At general meetings of the Company, Shareholders are given the opportunity to raise questions to the Directors and the Management relating to the Company's business or performance. The Management, as well as the respective Chairmen of the Board, AC, RC and NC will be present and available to address all comments or queries raised by Shareholders at general meetings of the Company. The external auditors of the Company will also be present at the AGM to address Shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

All Directors were present at the last AGM held on 30 April 2019. Save for the last AGM held on 30 April 2019, there were no other general meetings of the Company held during FY2019.

Provision 11.4

The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Provision 11.5

The proceeding of each of the general meetings will be properly recorded, including substantial or relevant comments or queries from Shareholders relating to the agenda of the general meetings and responses from the Board and Management. All minutes of the general meetings will be available for the inspection of Shareholders upon their request and such minutes of general meetings are also published on the Company's corporate website as soon as practicable.

Provision 11.6

Dividend Policy

The Company currently does not have a fixed dividend policy with the exception of a minimum of 30 per cent of the Group's net profit attributable to owners of the parent in respect of FY2019 and FY2020 as disclosed in the Offer Document for the Listing. In respect of FY2019, the Board is recommending a one-tier tax exempt special cash dividend of RM0.03 per ordinary share in the capital of the Company, for approval by Shareholders at the forthcoming AGM.

Any future dividends that the Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as other factors deemed relevant by the Board:

(a) the level of the Group's cash and retained earnings;

(b) the Group's actual and projected financial performance;

(c) the Group's projected levels of capital expenditure and other investment plans;

(d) the dividend yield of similar-sized companies with similar growth listed on the Catalist board of the SGX-ST; and

(e) restrictions on payment of dividends imposed on the Company by the Group's financing arrangements or legal and contractual obligations (if any).

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions 12.1, 12.2 and 12.3

The Company believes in timely and accurate dissemination of information to its Shareholders. The Board makes every effort to comply with continuous disclosure obligations of the Company under the Catalist Rules and the Companies Act (Chapter 50) of Singapore. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication to Shareholders is normally made through:

(a) annual reports or circulars to Shareholders (which include notices of general meetings) are prepared and issued to all Shareholders by post within the mandatory period;

(b) annual and half-yearly financial statements announcements containing a summary of the financial information and affairs of the Group for the period;

(c) notices and explanatory memoranda for general meetings;

(d) disclosures to the SGX-ST via SGXNet; and

(e) press releases.

The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The public can provide feedback to the Company Secretary via the contact number (65) 62369346 or the Company's registered address at 138 Robinson Road, #26-03, Oxley Tower, Singapore 068906.

Outside of the financial announcement periods, when necessary and appropriate, the Non-Executive Chairman and/or the CEO will meet all stakeholders, Shareholders, analysts and media who wish to seek a better understanding of the Group's operations.

5. MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions 13.1 and 13.2

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.

Provision 13.3

The Company maintains a current corporate website to communicate and engage with stakeholders. The Company's website can be accessed at https://www.simleisure.com/.

6. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person and has set out the procedures for review and approval of the Company's interested person transactions ("**IPT**").

All IPTs are reported in a timely manner to the AC and are subject to the review of the AC when a potential conflict of interest arises. The IPTs are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Director(s) concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The Group does not have a general mandate from Shareholders for IPTs pursuant to Rule 920 of the Catalist Rules. Notwithstanding this, the Group had entered into and will continue to enter into certain IPTs, details of which were duly disclosed in the Offer Document for the Listing, in the section entitled "Interested Person Transactions – Present and On-going Interested Person Transactions". The aggregate value of the IPTs above S$100,000 entered into during FY2019 were as follows:

Name of Interested Person / Description of Transactions	Nature of Relationship	Aggregate value of all IPTs in FY2019 (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) (RM'000)	Aggregate value of all IPTs in FY2019 conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) (RM'000)
Sim Leisure Consultants Sdn Bhd / Progress billings for ESCAPE Waterplay and Gravityplay	Associate of Sim Choo Kheng (Executive Director and CEO, as well as a substantial Shareholder) and Silviya Georgieva Georgieva (Executive Director)	5,658	-

Save as disclosed above, there were no IPTs entered into between the Company or its subsidiary corporations and any of its interested persons exceeding S$100,000 during FY2019.

7. MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions", the service agreement between the Company and the Executive Director and CEO, and the Directors' Statement and Financial Statements, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interests of any Director, the CEO or controlling Shareholder which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

8. DEALINGS IN SECURITIES

The Company has adopted an internal securities code of compliance to provide guidance to the Directors, officers and all employees of the Group with regard to dealing in the Company's securities pursuant to Rule 1204(19) of the Catalist Rules, in relation to the best practices on dealings in the securities, as follows:

(a) the Company had devised and adopted its own internal compliance code to provide guidance to its Directors and officers with regards to dealings by the Company, its Directors and its officers in its securities, as well as to set out the implications on insider trading;

(b) Directors and officers of the Company are discouraged from dealing in the Company's securities on short-term considerations; and

(c) the Company, the Directors and its officers are prohibited from dealing in the Company's securities (i) during the periods commencing one month before the announcement of the Company's half year and full year financial statements, and ending on the date of the announcement of the relevant financial results; and (ii) if they are in possession of unpublished price- sensitive information of the Group.

9. NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Catalist Rules, non-sponsorship fees paid/payable to the Sponsor, ZICO Capital Pte. Ltd. for FY2019 amounted to approximately S$0.12 million (via the allotment and issuance of 540,000 new shares in the capital of the Company at the issue price of S$0.22), in connection with the Listing.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to the Retiring Directors (namely Sim Choo Kheng and Tay Eng Kiat Jackson), who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	**Sim Choo Kheng**	**Tay Eng Kiat Jackson**
Date of first appointment	8 March 2018	30 October 2018
Date of last re-appointment (if applicable)	30 April 2019	30 April 2019
Age	55	43
Country of		
principal residence	Malaysia	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Sim Choo Kheng as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Sim Choo Kheng's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Tay Eng Kiat Jackson as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Tay Eng Kiat Jackson's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Sim Choo Kheng is responsible for overseeing the overall business development and general management of the Group, and formulating the Group's strategic directions and expansion plans.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Director and CEO	Chairman and Independent Director, Chairman of the AC, and a member of the NC and the RC
Professional qualifications	NA	• Bachelor of Accountancy • Member of the Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10 years	July 2010 - Current: Sim Leisure Escape Sdn Bhd and subsidiaries - Executive Director and CEO July 2013 - Current: Sim Leisure Gulf Contracting LLC - General Manager April 1993 - Current: Sim Leisure Consultants Sdn Bhd - Director	June 2009 – February 2015: Hafary Holdings Limited – Finance Manager to Financial Controller February 2015 - September 2015: Singhaiyi Group Limited - Chief Financial Officer September 2015 - Current: Hafary Holdings Limited – Chief Operating Officer
Shareholding interest in the listed issuer and its subsidiaries	91,183,730 shares in the Company	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Sim Choo Kheng	Tay Eng Kiat Jackson
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Sim Choo Kheng holds 91,183,730 shares in the Company. Sim Choo Kheng is the spouse of Silviya Georgieva Georgieva (Executive Director of the Company). Sim Choo Kheng sits on the boards of all the subsidiaries of the Company.	No
Conflict of interest (including any competing business)	Please refer to the section entitled "Interested Person Transactions - Potential Conflicts of Interests" of the Offer Document in relation to the Listing.	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past (for the last 5 years)	Directorships: • Sim Leisure Pte. Ltd.	Directorships: • Park Mall Pte. Ltd. • Viet Ceramics International Joint Stock Company
Present	Directorships: • Sim Leisure Adventureplay Sdn. Bhd. • Sim Leisure Escape Sdn. Bhd. • Sim Leisure Waterplay Sdn. Bhd. • Sim Leisure Consultants Sdn. Bhd. • Gabrovo Sdn. Bhd. • Sim Leisure Builders Sdn. Bhd. • Sim Leisure Design Sdn. Bhd • Nha Hang Viet Nam Sdn. Bhd. • Sim Leisure Challenge Sdn. Bhd. • Sim Leisure Milan Sdn. Bhd. • Sim Leisure Rock Sdn. Bhd. • Sim Leisure Hong Kong Limited	Directorships: • Hafary Pte Ltd • Wood Culture Pte Ltd. • Hafary Centre Pte. Ltd. • Hafary Balestier Showroom Pte. Ltd. • Xquisit Pte. Ltd. • One Heart Investment Pte. Ltd. • OUE Lippo Healthcare Limited • Hafary W+S Pte. Ltd. • One Heart International Trading Private Ltd. • Sapphire Corporation Limited

Name of Director	Sim Choo Kheng	Tay Eng Kiat Jackson
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Name of Director	Sim Choo Kheng	Tay Eng Kiat Jackson
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only.		
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Yes Sim Choo Kheng is currently a director of the Company.	Yes • OUE Lippo Healthcare Limited • Sapphire Corporation Limited
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable.	Not applicable.

DIRECTORS' STATEMENT

The Directors of Sim Leisure Group Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Sim Choo Kheng
Tay Eng Kiat Jackson
Chung Yew Pong
Silviya Georgieva Georgieva
Yong Oi Ling

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
The Company				
Sim Leisure Group Ltd.				
(No. of ordinary shares)				
Sim Choo Kheng	21,323,921	104,606,230	-	-
Silviya Georgieva Georgieva	133,079	665,395	-	-
Chung Yew Pong	-	32,000	-	-
Subsidiaries				
Sim Leisure Escape Sdn. Bhd.				
(No. of ordinary shares)				
Sim Choo Kheng	-	-	17,412,529	33,740,967

By virtue of Section 7 of the Act, Sim Choo Kheng is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2019.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Audit committee

The Audit Committee ("AC") of the Company is chaired by Tay Eng Kiat Jackson, an Independent Director, and includes Chung Yew Pong and Yong Oi Ling, who are both Independent Directors. The AC has carried out its functions in accordance with section 201B(5) of the Act, including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company.

The principal responsibilities of the AC include, amongst others:

(a) assist the Board of Directors in the discharge of its statutory responsibilities on financing and accounting matters;

(b) review significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;

(c) review the periodic financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

(d) review the adequacy, effectiveness, scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(e) review the external auditor's audit plan and audit report, and the external auditor's evaluation of the system of internal accounting controls, their management letter and the management's response;

(f) review and discuss with auditors any suspected fraud or irregularity or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and the management's response;

(g) review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(h) review the key financial risk areas, the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors;

(i) review at least annually the adequacy and effectiveness of the risk management and internal controls systems, including financial, operational, compliance controls, information technology controls and risk management sections and discuss issues and concerns, if any, arising from the internal auditors;

(j) review the scope and results of the internal audit procedures, and at least annually, the independence, adequacy and effectiveness of our internal audit function, and whether our internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience;

(k) review and approve transactions falling within the scope of Chapter 10 of the Catalist Rules (if any);

DIRECTORS' STATEMENT

6. Audit committee (Continued)

The principal responsibilities of the AC include, amongst others: (Continued)

(l) review any interested person transactions and monitor the procedures established to regulate interested person transactions, and any deviations from the procedures will be subject to the AC's review and approval;

(m) make recommendations to the Board of Directors on the proposals to shareholders on the appointment, reappointment and removal of the external auditor; and

(n) undertake generally such other functions and duties as may be required by law or the Catalist Rules.

The AC confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and Executive Officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Independent auditors

The independent auditors, BDO LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Sim Choo Kheng Director	Silviya Georgieva Georgieva Director

9 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIM LEISURE GROUP LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sim Leisure Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIM LEISURE GROUP LTD.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Revenue recognition	
The Group's primary business segment is that of theme park operations and events. Revenue is derived from ticketing, food and beverages, merchandising sales and services from operating theme parks in Malaysia. The Group captures revenue using the Point-of-Sales ("POS") system and data is recorded as revenue in the accounting system. Reconciliation is performed on a daily basis to match revenue generated from POS system to the accounting system so that errors, if any, are detected promptly. Customers are able to purchase tickets in advance, which gives rise to the possible cut-off errors relating to the period in which revenue is recorded. As at 31 December 2019, deferred revenue was RM545,913 and included within "trade and other payables". We have determined this to be a key audit matter due to the significance of revenue to the financial statements and the risks surrounding the cut-off of revenue. Refer to notes 2.13, 18, 19 and 29 of the accompanying financial statements.	Our audit procedures included, amongst others, the following: • Evaluated management's assessment of the application of SFRS(I) 15 for each revenue stream and evaluated the appropriateness of the Group's revenue recognition policies. • Obtained an understanding of and performed test of controls surrounding the capturing and recording of revenue transactions. • Performed a review on the operating effectiveness of information technology general controls surrounding the POS system. • Tested revenue recorded by matching revenue from POS reports to accounting systems, including the review of reconciliations with relevant supporting documents such as third party merchant statements and bank statements. • Tested the reports generated from the POS system to ensure unutilised tickets are captured by management as deferred revenue, to ensure revenue is recorded in the appropriate accounting period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Aw Vern Chun Philip.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
9 April 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		Group			Company	
	Note	31 December 2019 RM	31 December 2018 RM (Restated)	1 January 2018 RM (Restated)	31 December 2019 RM	31 December 2018 RM
ASSETS						
Non-current assets						
Plant and equipment	4	59,848,216	48,677,020	44,883,391	-	-
Right-of-use assets	5	9,613,234	-	-	-	-
Investment in subsidiaries	6	-	-	-	46,441,008	30,112,569
Deferred tax assets	7	-	69,700	-	-	-
		69,461,450	48,746,720	44,883,391	46,441,008	30,112,569
Current assets						
Inventories	8	53,020	115,726	140,425	-	-
Trade and other receivables	9	1,152,178	1,130,659	1,196,990	71,540	-
Prepayments	10	998,142	3,074,675	1,018,544	85,435	285,670
Cash and cash equivalents	11	3,008,622	1,704,437	818,738	29,312	3,000
Short-term deposits	11	1,000,000	-	-	-	-
		6,211,962	6,025,497	3,174,697	186,287	288,670
Total assets		75,673,412	54,772,217	48,058,088	46,627,295	30,401,239
EQUITY AND LIABILITIES						
Equity						
Share capital	12	46,292,679	30,115,569	10,800,000	46,292,679	30,115,569
Equity component of redeemable convertible preference shares	13	-	275,112	275,112	-	-
Capital reserve	14	1,328,829	-	-	1,328,829	
Merger reserve	15	(12,700,040)	(12,700,040)	-	-	-
Retained earnings/(Accumulated losses)		16,274,840	16,039,949	10,136,025	(5,517,535)	(107,433)
Equity attributable to owners of the parent		51,196,308	33,730,590	21,211,137	42,103,973	30,008,136
Non-controlling interests		395,685	-	-	-	-
Total equity		51,591,993	33,730,590	21,211,137	42,103,973	30,008,136
Non-current liabilities						
Borrowings	16	5,800,105	-	-	-	-
Lease liabilities/Finance lease payables	17	9,369,661	29,257	46,089	-	-
Liability component of redeemable convertible preference shares	13	-	-	11,301,009		
Deferred tax liabilities	7	2,949,800	1,569,434	656,277	-	-
		18,119,566	1,598,691	12,003,375	-	-
Current liabilities						
Trade and other payables	18	2,892,617	2,640,655	10,132,504	4,523,322	393,103
Borrowings	16	2,442,282	-	-	-	-
Lease liabilities/Finance lease payables	17	296,935	50,473	44,166	-	-
Liability component of redeemable convertible preference shares		-	15,928,192	4,552,490	-	-
Current income tax payable		330,019	823,616	114,416	-	-
		5,961,853	19,442,936	14,843,576	4,523,322	393,103
Total liabilities		24,081,419	21,041,627	26,846,951	4,523,322	393,103
Total equity and liabilities		75,673,412	54,772,217	48,058,088	46,627,295	30,401,239

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM (Restated)
Revenue	19	21,859,615	21,058,929
Cost of sales		(8,627,871)	(8,720,909)
Gross profit		13,231,744	12,338,020
Other item of income			
Other income		13,270	20,560
Other items of expense			
Administrative and other expenses		(10,742,434)	(2,805,696)
Finance costs	20	(395,915)	(1,543,064)
Profit before income tax	21	2,106,665	8,009,820
Income tax expense	22	(1,876,089)	(2,105,896)
Profit for the financial year, representing total comprehensive income for the financial year		230,576	5,903,924
Profit and total comprehensive income attributable to:			
Owners of the parent		234,891	5,903,924
Non-controlling interests		(4,315)	-
		230,576	5,903,924
Earnings per share			
- Basic and diluted (in cents)	23	0.02	5.50

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Equity component of redeemable convertible preference shares	Capital Reserve	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
		RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2019, as reported		30,115,569	275,112	-	(12,700,040)	16,426,307	34,116,948	-	34,116,948
Prior year adjustment (Note 29)		-	-	-	-	(386,358)	(386,358)	-	(386,358)
Balance at 1 January 2019, as restated		30,115,569	275,112	-	(12,700,040)	16,039,949	33,730,590	-	33,730,590
Profit for the financial year, representing total comprehensive income for the financial year		-	-	-	-	234,891	234,891	(4,315)	230,576
Transactions with owners of the parent									
Issuance of new shares pursuant to Initial Public Offering ("IPO")	12	17,276,477	-	-	-	-	17,276,477	-	17,276,477
Share issue expenses	12	(1,455,767)	-	-	-	-	(1,455,767)	-	(1,455,767)
Share based payment expenses	12	356,400	-	-	-	-	356,400	-	356,400
Redemption of redeemable convertible preference shares	13	-	(275,112)	-	-	-	(275,112)	-	(275,112)
Payment of IPO consultancy expenses by shares	12	-	-	1,328,829	-	-	1,328,829	-	1,328,829
		16,177,110	(275,112)	1,328,829	-	-	17,230,827	-	17,230,827
Transactions with non-controlling interests									
Capital contribution by a shareholder of non-controlling interests		-	-	-	-	-	-	400,000	400,000
Balance at 31 December 2019		46,292,679	-	1,328,829	(12,700,040)	16,274,840	51,196,308	395,685	51,591,993

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Equity component of redeemable convertible preference shares	Merger reserve	Retained earnings	Total equity
		RM	RM	RM	RM	RM
Balance at 1 January 2018, as reported		10,800,000	275,112	-	10,374,383	21,449,495
Prior year adjustment (Note 29)		-	-	-	(238,358)	(238,358)
Balance at 1 January 2018, as restated		10,800,000	275,112	-	10,136,025	21,211,137
Profit for the financial year, representing total comprehensive income for the financial year, as previously stated		-	-	-	6,051,924	6,051,924
Prior year adjustment (Note 29)		-	-	-	(148,000)	(148,000)
Profit for the financial year, representing total comprehensive income for the financial year, as restated		-	-	-	5,903,924	5,903,924
Contribution by owners						
Issuance of subscriber's shares at date of incorporation of the Company	12	3,000	-	-	-	3,000
Issuance of ordinary shares pursuant to the capitalisation of advances from a Director	12	6,612,529	-	-	-	6,612,529
Deemed distribution to owners pursuant to the Restructuring Exercise	12	(17,412,529)	-	-	-	(17,412,529)
Issuance of ordinary shares pursuant to the Restructuring Exercise	12	30,112,569	-	(12,700,040)	-	17,412,529
Total transactions with owners		19,315,569	-	(12,700,040)	-	6,615,529
Balance at 31 December 2018		30,115,569	275,112	(12,700,040)	16,039,949	33,730,590

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM	2018 RM (Restated)
Operating activities			
Profit before income tax		2,106,665	8,009,820
Adjustments for:			
Depreciation of plant and equipment		2,216,643	2,438,522
Amortisation of right-of-use assets		224,074	-
Plant and equipment written off		9,178	-
Loss/(Gain) on disposal of motor vehicles		227	(88)
Unrealised exchange difference		132,104	-
Share based payment for IPO consultancy expenses	14	1,328,829	-
Interest expense		395,915	1,543,064
Operating cash flows before working capital changes		6,413,635	11,991,318
Working capital changes:			
Inventories		62,706	24,699
Trade and other receivables		(21,519)	66,331
Prepayments		1,896,532	(2,056,131)
Trade and other payables		251,963	(38,377)
Cash generated from operations		8,603,317	9,987,840
Income tax paid		(919,620)	(553,239)
Net cash from operating activities		7,683,697	9,434,601
Investing activities			
Purchase of plant and equipment	4	(13,551,651)	(7,051,576)
Proceeds from disposal of motor vehicles		3,000	12,600
Net cash used in investing activities		(13,548,651)	(7,038,976)
Financing activities			
Proceeds from issuance of ordinary shares from owners of the parent		17,276,477	3,000
Proceeds from issuance of ordinary shares from non-controlling interests		400,000	-
Share issue expenses		(1,099,367)	-
Proceeds from borrowings (Note A)		9,074,019	-
Repayment of borrowings (Note A)		(997,443)	-
Interest paid on borrowings (Note A)		(60,145)	-
Interest paid on redeemable convertible preference shares (Note A)		(241,840)	(1,462,532)
Repayment of redeemable convertible preference shares (Note A)		(16,000,000)	-
Repayment of obligations under leases (2018: Repayment of finance lease obligations) (Note A)		(182,562)	(50,394)
Deposit pledged		(1,000,000)	-
Net cash from/(used in) financing activities		7,169,139	(1,509,926)
Net change in cash and cash equivalents		1,304,185	885,699
Cash and cash equivalents at beginning of financial year		1,704,437	818,738
Cash and cash equivalents at end of financial year	11	3,008,622	1,704,437

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note A: Reconciliation of liabilities arising from financing activities

	31.12.2018	Adoption of SFRS(I)16	1.1.2019	Cash flows	← Non-cash changes → Unrealised exchange difference	Accretion of interest	31.12.2019
	RM	RM	RM	RM	RM	RM	RM
Redeemable convertible preference shares (Note1)	15,928,192	-	15,928,192	(15,966,728)	-	38,536	-
Borrowings (Note 16)	-	-	-	8,016,431	132,104	93,852	8,242,387
Lease liabilities/ Finance lease payables (Note 17)	79,730	9,505,901	9,585,631	(182,562)	-	263,527	9,666,596
	16,007,922	9,505,901	25,513,823	(8,132,859)	132,104	395,915	17,908,983

	31.12.2017	Cash flows	← Non-cash changes → Additions of plant and equipment under finance leases	Accretion of interest	31.12.2018
	RM	RM	RM	RM	RM
Redeemable convertible preference shares	15,853,499	(1,462,532)	-	1,537,225	15,928,192
Finance lease payables	90,255	(44,525)	34,000	-	79,730
	15,943,754	(1,507,057)	34,000	1,537,225	16,007,922

Note 1:

	RM
Cash flows pertaining to liability portion (as per above)	(15,966,728)
Cash flows pertaining to equity portion of redeemable convertible preference shares	(275,112)
Total cash flows	(16,241,840)
Presented in the consolidated statement of cash flows as:	
Repayment of redeemable convertible preference shares	(16,000,000)
Interest paid on redeemable convertible preference shares	(241,840)
Total cash flows	(16,241,840)

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General corporate information

1.1 Domicile and activities

Sim Leisure Group Ltd. (the "Company") (Registration number 201808096D) is a public limited company domiciled in Singapore and incorporated on 8 March 2018. On 24 December 2018, in connection with its conversion into a public company limited by shares, the Company changed its name from Sim Leisure Group Pte. Ltd. to Sim Leisure Group Ltd. The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 1 March 2019.

The Company's registered office is located at 138 Robinson Road, #26-03 Oxley Tower, Singapore 068906 and its principal place of business is located at 828, Jalan Teluk Bahang, Teluk Bahang, 11050, Pulau Pinang, Malaysia.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The ultimate controlling party of the Company is Sim Choo Kheng, who is a Director of the Company.

The statement of financial position of the Company as at 31 December 2019 and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a Directors' resolution dated 9 April 2020.

1.2 Restructuring exercise

A restructuring exercise (the "Restructuring Exercise") was carried out as part of group restructuring prior to the listing on Catalist Board of SGX-ST which resulted in the Company becoming the holding company of the Group. The following steps were taken in the Restructuring Exercise:

(i) Acquisition by Sim Leisure Escape Sdn. Bhd. ("SLE") from Sim Choo Kheng of 1 share in Sim Leisure Adventureplay Sdn. Bhd. ("SLA") and 1 share in Sim Leisure Waterplay Sdn. Bhd. ("SLW")

SLE held all of the shares in SLA and SLW except for 1 share that was held by Sim Choo Kheng in each of SLA and SLW. On 24 December 2018, SLE acquired all the shareholding interests of Sim Choo Kheng respectively in both SLA and SLW for a nominal cash consideration of RM1.00 each. Following the acquisition, SLA and SLW became wholly-owned subsidiaries of SLE.

(ii) Acquisition of SLE by the Company

On 24 December 2018, the Company acquired all the shareholding interests of Sim Choo Kheng and Silviya Georgieva Georgieva in SLE for an aggregate consideration of RM30,112,569. The consideration was determined on a willing buyer-willing seller basis, taking into account the net asset value of SLE and its subsidiaries (namely, SLA and SLW) as at 30 June 2018 of RM23,500,040 and the capitalisation of advances by Sim Choo Kheng of RM6,612,529. The consideration was satisfied by the allotment and issue of 21,322,921 and 133,079 new ordinary shares to Sim Choo Kheng and Silviya Georgieva Georgieva, respectively. Upon completion of the aforesaid acquisition, SLE became a wholly-owned subsidiary of the Company.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The Restructuring Exercise involved acquisitions of companies, as referred to in Note 1.2(ii) to the financial statements, which are under common control. These companies have been included in the consolidated financial statements of the Group in a manner similar to the “pooling-of-interest” method. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after 24 December 2018.

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Ringgit Malaysia (“RM”) which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

Changes in accounting policies

New standards, amendments and interpretations effective from 1 January 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore (“ASC”) that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group’s business activities or require accounting which is consistent with the Group’s current accounting policies, except as detailed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a ‘right-of-use’ asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings as at 1 January 2019 (the “date of initial application”). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;

- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to leasehold land, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 4.8%.

The right-of-use assets were measured as follows:

(a) Land: right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
(b) All other leases: the carrying amount is determined as if SFRS(I) 16 being applied from the commencement date of the leases, subject to the practical expedients listed above.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease payables at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 December 2018. Consequently, a motor vehicle and kiosk are reclassified and presented under right-of-use assets (Note 5) at the date of initial application.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 January 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows

	Group Increase/(decrease) RM
Assets	
Plant and equipment	(151,407)
Right-of-use assets*	9,837,308
*includes prepayment of RM180,000	
Liabilities	
Finance lease payables	(79,730)
Lease liabilities (adjusted for prepayment of RM180,000)	9,585,631

The aggregate lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 and the Group's operating lease commitment as at 31 December 2018 can be reconciled as follows:

	RM
Operating lease commitment as at 31 December 2018 (Note 25)	9,496,587
Add: Effect of extension options reasonably certain to be exercised	29,650,530
	39,147,117
Effect of discounting using the incremental borrowing rate as at date of initial application	(29,641,216)
	9,505,901
Finance lease liabilities recognised at 31 December 2018	79,730
Lease liabilities as at 1 January 2019	9,585,631

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group applied this interpretation retrospectively and there is no material impact to the previously recognised income taxes and deferred taxes.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to the end of the reporting period. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

Changes in the Group's interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of subsidiaries, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly to equity as merger reserve.

2. Summary of significant accounting policies (Continued)

2.3 Plant and equipment

Plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditure relating to the plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the plant and equipment over their estimated useful lives as follows:

	Years
Plant and machinery	10 to 20
Park structures	10 to 50
Kitchen and other operating equipment	5 to 10
Furniture, fittings, office equipment and renovation	5 to 10
Motor vehicles	5

Construction-in-progress represents items of plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction, including related borrowing costs, during the period of construction. Construction-in-progress is reclassified to the appropriate category of plant and equipment when it is completed and ready for use.

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

2. Summary of significant accounting policies (Continued)

2.4 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment that has been recognised in profit or loss.

2.5 Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable willing parties less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. Reversals of impairment loss are recognised in profit or loss. After such a reversal, the depreciation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a "first-in, first-out" basis and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the ordinary course of business, less estimated costs to be incurred to make to sale. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2. Summary of significant accounting policies (continued)

2.7 Leases

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

<u>Initial measurement</u>

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the consolidated statement of financial position.

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

As lessee (Continued)

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated depreciation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are depreciated on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset.

The right-of-use assets are depreciated based on the following bases:

	Years
Leasehold land	56
Motor vehicle and kiosk	5

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.5 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;
- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

2. Summary of significant accounting policies (Continued)

2.7 Leases (Continued)

Accounting policy prior to 1 January 2019

As lessee

Finance leases

Leases are classified as finance leases whether the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payment. The corresponding liabilities to the lessor is include in the statement of financial position as a lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liabilities. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.14).

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-tine basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as financial assets at amortised cost. The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and short-term deposits in the statements of financial position.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities are classified as at FVTPL if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

The accounting policies adopted for other financial liabilities are set out below:

(i) Trade and other payables

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group, and are subsequently measured at amortised cost using the effective interest method.

(ii) Borrowings

Interest-bearing bank loans and overdrafts are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the reporting period are presented as current borrowings even though the original terms were for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the reporting period are presented as non-current borrowings in the statement of financial position.

2. Summary of significant accounting policies (Continued)

2.8 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

Recognition and derecognition

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing liability is replaced by another form from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received. Incremental costs directly attributable to the issuance of new equity instruments are shown in the equity as a deduction from the proceeds.

2.9 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude any fixed deposits pledged.

2.10 Redeemable convertible preference shares ("RCPS")

RCPS are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

2.11 Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value where changes in fair value are recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.13 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). The consideration promised in the contracts with customers may include fixed amounts, variable amounts or both.

Revenue from admission fees to theme parks is recognised at the point upon utilisation of the ticket.

Revenue from sale of food, beverages and merchandise is recognised when the goods have been transferred to the customers, which is when the customer obtains control of the goods. There is no right of return on the sale of goods. There is no significant financing component in the revenue arising from the sale of goods as the sales are made on the normal credit terms not exceeding twelve months.

Revenue from rendering of locker services is recognised when the services have been performed.

2.14 Employee benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months after the end of reporting period as a result of services rendered by employees up to the end of the reporting period.

2.15 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as expenses in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2. Summary of significant accounting policies (Continued)

2.16 Income tax

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

Current income tax expense is the expected tax payable on the taxable income, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to income tax payable in respect of previous financial years. Taxable income differs from profit reported as profit or loss because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items of income or expenses that are not taxable or tax deductible.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured using the tax rates expected to be applied to the temporary differences when they are realised or settled, based on tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same tax authority and where there is intention to settle the current tax assets and liabilities on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Dividends

Dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

2. Summary of significant accounting policies (Continued)

2.18 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group) and whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the consolidated financial statements.

<u>Impairment of investment in subsidiaries</u>

The Company follows the guidance of SFRS(I) 1-36 in determining whether investment in subsidiaries is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of the investment is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of plant and equipment to range from 5 to 50 years.

Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore estimates of future depreciation could be revised if expectations differ from previous estimates. The carrying amount of plant and equipment as at 31 December 2019 was RM59,848,216 (2018: RM48,677,020).

Park structures

Management estimates the useful life of park structures to range from 10 to 50 years. At the end of the reporting period, management estimates the resale price of steels by using the available market data which existed at the end of the reporting period and compares it against the cost price to derive the estimated residual value of the park structures, which are subject to uncertainty.

A difference of 5% in the expected residual values of park structures from the management's estimates would result in approximately RM130,152 variance in the Group's profit for the financial year.

(ii) Income taxes

Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises expected assets and liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made.

The carrying amounts of deferred tax assets, deferred tax liabilities and current income tax payable as at 31 December 2019 were Nil (2018: RM69,700), RM2,949,800 (2018: RM1,569,434) and RM330,019 (2018: RM823,616) respectively.

(iii) Measurement of lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group has determined the discount rate by reference to the respective lessee's incremental borrowings rate when the rate inherent in the lease is not readily determinable. The Group obtains the relevant market interest rate after considering the applicable geographical location where the lessee operates as well as the term of the lease. Management considers credit spread information from its recent borrowings, industry data available as well as any security available in order to adjust the market interest rate obtained from similar economic environment, term and value of the lease.

The weighted average incremental borrowing rate applied to lease liabilities as at 31 December 2019 was 4.88%. The carrying amount of lease liabilities as at 31 December 2019 was RM9,666,596. If the incremental borrowing rate had been 0.1% higher or lower than management's estimates, the Group's lease liabilities would have been lower or higher by RM483,330.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Plant and equipment

	Plant, machinery and park structures	Kitchen and other operating equipment	Furniture, fittings, office equipment and renovation	Motor vehicles	Construction-in-progress	Total
	RM	RM	RM	RM	RM	RM
Cost						
Balance at 1.1.2019	46,578,272	964,631	2,138,145	443,617	5,588,713	55,713,378
Adoption of SFRS(I) 16	-	-	(184,770)	(38,757)	-	(223,527)
Balance at 1.1.2019 (restated)	46,578,272	964,631	1,953,375	404,860	5,588,713	55,489,851
Additions	1,597,433	99,036	437,255	-	11,417,927	13,551,651
Disposals	-	-	-	(12,100)	-	(12,100)
Write-offs	(8,528)	-	(650)	-	-	(9,178)
Reclassification	12,787,086	-	596,323	-	(13,383,409)	-
Balance at 31.12.2019	60,954,263	1,063,667	2,986,303	392,760	3,623,231	69,020,224
Accumulated depreciation						
Balance at 1.1.2019	5,461,842	493,870	839,758	240,888	-	7,036,358
Adoption of SFRS(I) 16	-	-	(70,828)	(1,292)	-	(72,120)
Balance at 1.1.2019 (restated)	5,461,842	493,870	768,930	239,596	-	6,964,238
Depreciation for the financial year	1,715,512	116,972	308,263	75,896	-	2,216,643
Disposals	-	-	-	(8,873)	-	(8,873)
Balance at 31.12.2019	7,177,354	610,842	1,077,193	306,619	-	9,172,008
Carrying amount						
Balance at 31.12.2019	53,776,909	452,825	1,909,110	86,141	3,623,231	59,848,216
Cost						
Balance at 1.1.2018	46,001,399	863,477	1,849,746	381,332	406,885	49,502,839
Additions	1,103,261	101,154	288,399	96,409	5,496,353	7,085,576
Disposals	-	-	-	(34,124)	-	(34,124)
Write-offs	(840,913)	-	-	-	-	(840,913)
Reclassification	314,525	-	-	-	(314,525)	-
Balance at 31.12.2018	46,578,272	964,631	2,138,145	443,617	5,588,713	55,713,378
Accumulated depreciation						
Balance at 1.1.2018	3,493,402	374,755	565,055	186,236	-	4,619,448
Depreciation for the financial year	1,968,440	119,115	274,703	76,264	-	2,438,522
Disposals	-	-	-	(21,612)	-	(21,612)
Balance at 31.12.2018	5,461,842	493,870	839,758	240,888	-	7,036,358
Carrying amount						
Balance at 31.12.2018	41,116,430	470,761	1,298,387	202,729	5,588,713	48,677,020

4. Plant and equipment (Continued)

As at 31 December 2018, the carrying amount of the a Group's motor vehicle and kiosk (classified under furniture, fittings, office equipment and renovation) which were acquired under finance lease arrangements was RM151,407. The motor vehicle and kiosk have been reclassified to right-of-use assets as at 1 January 2019.

For the purpose of the consolidated statements of cash flows, the Group's additions to plant and equipment during the financial year were financed as follows:

	Group	
	2019	**2018**
	RM	**RM**
Additions to plant and equipment	13,551,651	7,085,576
Acquired under finance lease arrangements	-	(34,000)
Cash payments to purchase plant and equipment	13,551,651	7,051,576

5. Right-of-use assets

	Group			
	Leasehold land	**Kiosk**	**Motor vehicle**	**Total**
	RM	**RM**	**RM**	**RM**
Cost				
- Reclassified from plant and equipment (Note 4)	-	113,942	37,465	151,407
- Adoption of SFRS(I) 16 (Note 2.1)	9,685,901	-	-	9,685,901
Balance as at 1 January 2019	9,685,901	113,942	37,465	9,837,308
Amortisation charge	(179,369)	(36,953)	(7,752)	(224,074)
Balance as at 31 December 2019	9,506,532	76,989	29,713	9,613,234

The Group leases leasehold land under a non-cancellable agreement. The lease term is 26 years with an option to renew for another 30 years.

As at 31 December 2019, a kiosk and a motor vehicle with carrying amounts of RM76,989 and RM29,713 respectively are secured over the lease liabilities of RM29,257. The assets will be seized and returned to the lessor in the event of default by the Group.

6. Investment in subsidiaries

	Company	
	31 December 2019	**31 December 2018**
	RM	**RM**
Unquoted equity shares, at cost	46,441,008	30,112,569

During the financial year, the Company injected additional capital of RM16,328,438 to its fully-owned subsidiary, Sim Leisure Escape Sdn. Bhd., by subscribing for an additional 16,328,438 ordinary shares.

In addition, the Company also incorporated a fully-owned subsidiary, Sim Leisure Hong Kong Ltd., with a share capital of RM1.

6. Investment in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by the non-controlling interest	
		31 December 2019 %	31 December 2018 %	31 December 2019 %	31 December 2018 %
Held by the Company					
Sim Leisure Escape Sdn. Bhd. [1] (Malaysia)	Investment holding and development of theme parks	100	100	-	-
Sim Leisure Hong Kong Ltd. [2] (Hong Kong)	Dormant	100	-	-	-
Held by Sim Leisure Escape Sdn. Bhd.					
Sim Leisure Adventureplay Sdn. Bhd. [1] (Malaysia)	Development and operation of theme parks	100	100	-	-
Sim Leisure Waterplay Sdn. Bhd. [1] (Malaysia)	Development and operation of theme parks	100	100	-	-
Sim Leisure Challenge Sdn. Bhd. [1] (Malaysia)	Business in relation to sports, recreation and teambuilding	100	-	-	-
Sim Leisure Rock Sdn. Bhd. [2] (Malaysia)	Business in relation to sports, recreation and teambuilding	60	-	40	-
Sim Leisure Milan Sdn. Bhd. [2] (Malaysia)	Business in design, project management and installation of adventure parks	100	-	-	-

[1] Audited by BDO PLT, Malaysia, a member firm of BDO International.

[2] Not considered a significant subsidiary

On 8 May 2019, a subsidiary of the Company, Sim Leisure Escape Sdn. Bhd. ("SLE"), incorporated Sim Leisure Challenge Sdn. Bhd. for a cash consideration of RM2. On 28 June 2019, SLE acquired additional 239,998 ordinary shares at RM1 each in Sim Leisure Challenge Sdn. Bhd. for a total cash consideration of RM239,998.

On 22 October 2019, a subsidiary of the Company, SLE, incorporated Sim Leisure Milan Sdn. Bhd. for a cash consideration of RM2.

6. Investment in subsidiaries (Continued)

Non-controlling interests

Sim Leisure Rock Sdn. Bhd., a 60% owned subsidiary of the Group, has material non-controlling interests ("NCI"). Summarised financial information in relation to Sim Leisure Rock Sdn. Bhd., before intra-group eliminations, is presented below together with amounts attributed to NCI:

	2019
	RM
For the financial year ended	
Revenue	-
Profit before tax	(10,786)
Income tax expense	-
Profit after tax	(10,786)
Profit allocated to NCI	(4,315)
Other comprehensive income allocated to NCI	-
Total comprehensive income allocated to NCI	(4,315)
Dividends paid to NCI	-
Net cash flows from operating activities	30,644
Net cash flows from investing activities	(991,558)
Net cash flows from financing activities	1,000,000
Net cash inflows	39,086
At the end of the financial year	
Assets:	
Property, plant and equipment	991,558
Trade and other receivables	106,117
Cash and cash equivalents	39,086
Liabilities:	
Trade and other payables	(148,448)
Accumulated non-controlling interests	395,685

Sim Leisure Rock Sd. Bhd. ("SLR") was incorporated by a subsidiary of the Company, Sim Leisure Escape Sdn. Bhd. ("SLE"), on 12 September 2019 with a paid up share capital of RM2.

On 28 November 2019, SLE had entered into a shareholders' agreement with a third-party investor, Rock Climbing Asia Sdn. Bhd. ("RCA"). As part of the agreement, SLE subscribed for 599,998 new shares in SLR amounting to RM600,000 while RCA subscribed for 400,000 new shares in SLR amounting to RM400,000.

7. Deferred tax (assets)/liabilities

	Group	
	31 December 2019 RM	31 December 2018 RM
Balance at beginning of financial year	1,499,734	656,277
Charged to profit or loss	1,450,066	843,457
Balance at end of financial year	2,949,800	1,499,734
Presented as:		
Deferred tax assets	-	(69,700)
Deferred tax liabilities	2,949,800	1,569,434
	2,949,800	1,499,734

The following are the major deferred tax assets and liabilities recognised by the Group during the financial year.

	Group	
	31 December 2019 RM	31 December 2018 RM
Deferred tax assets		
Unutilised tax losses	-	(69,700)
Deferred tax liabilities		
Accelerated tax depreciation	2,949,800	1,552,200
Redeemable convertible preference shares	-	17,234
	2,949,800	1,569,434
	2,949,800	1,499,734

Subject to the agreement by relevant taxation authorities, as at 31 December 2019, the Group has unutilised tax losses of approximately RM537,070 (2018: RM811,123) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately Nil (2018: RM290,000) of such losses. No deferred tax asset has been recognised in respect of the remaining RM537,070 (2018: RM521,123) due to the unpredictability of profit streams.

8. Inventories

	Group	
	31 December 2019	31 December 2018
	RM	RM
Inventories of		
- trading goods	53,020	25,823
- consumables	-	89,903
	53,020	115,726

The cost of inventories recognised as expense and included in "cost of sales" line item amounted to RM1,948,763 (2018: RM1,951,509).

9. Trade and other receivables

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM	RM	RM	RM
Trade receivables				
- third parties	339,182	635,415	-	-
Non-trade receivables				
- third parties	79,258	-	-	-
- a subsidiary of the Company	-	-	71,540	-
- related parties	60,141	-	-	-
Goods and services tax recoverable, net	87,878	104,059	-	-
Deposits	585,719	391,185	-	-
	1,152,178	1,130,659	71,540	-

Trade receivables are unsecured, non-interest bearing and generally on 30 days' credit terms. The non-trade amounts due from related parties and a subsidiary of the Company are unsecured, non-interest bearing and repayable on demand.

The Group does not hold any collateral as security.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM	RM	RM	RM
Ringgit Malaysia	1,129,726	1,108,207	71,540	-
United Arab Emirates Dirham	22,452	22,452	-	-
	1,152,178	1,130,659	71,540	-

10. Prepayments

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM	RM	RM	RM
Prepaid other operating expenses	928,448	184,425	85,435	35,393
Prepaid insurance	69,694	36,887	-	-
Prepaid rental	-	106,364	-	-
Prepaid placement and listing expenses	-	2,746,999	-	250,277
	998,142	3,074,675	85,435	285,670

11. Cash and cash equivalents and short-term deposits

Cash and cash equivalents

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	RM	RM	RM	RM
Ringgit Malaysia	2,507,534	1,701,437	-	-
Singapore Dollar	501,088	3,000	29,312	3,000
	3,008,622	1,704,437	29,312	3,000

Short-term deposits

Short-term deposits are denominated in Malaysian Ringgit (RM) and bear interest of about 3.7% per annum (2018: Nil) with tenure of more than 3 months.

Short-term deposits of the Group amounting to RM1,000,000 (2018: Nil) were pledged to banks to secure credit facilities granted to the subsidiaries (Note 16).

12. Share capital

	Group			
	31 December 2019		31 December 2018	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully-paid:				
Balance at beginning of financial year	21,457,000	30,115,569	10,800,000	10,800,000
Issuance of new shares pursuant to IPO	26,400,000	17,276,477	-	-
Share issue expenses	-	(1,455,767)	-	-
Share based payment expenses	540,000	356,400	-	-
Increase in shares due to sub-division of shares	85,828,000	-		
Issuance of subscriber's shares at date of incorporation of the the Company	-	-	1,000	3,000
Issuance of ordinary shares pursuant to the capitalisation of advances from a Director	-	-	6,612,529	6,612,529
Deemed distribution to owners pursuant to the Restructuring Exercise (Note 1.2)	-	-	(17,412,529)	(17,412,529)
Issuance of ordinary shares pursuant to the Restructuring Exercise (Note 1.2)	-	-	21,456,000	30,112,569
Balance at end of financial year	134,225,000	46,292,679	21,457,000	30,115,569

On 18 February 2019, the shareholders of the Company approved the sub-division of the existing issued ordinary shares into 107,285,000 ordinary shares in the issued capital of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

	Group			
	31 December 2019		31 December 2018	
	Number of ordinary shares	RM	Number of ordinary shares	RM
Issued and fully-paid:				
Balance at beginning of financial year/date of incorporation	21,457,000	30,115,569	1,000	3,000
Increase in shares due to sub-division of shares	85,828,000	-	-	-
Issuance of new shares pursuant to IPO	26,400,000	17,276,477	-	-
Share issue expenses	-	(1,455,767)	-	-
Share based payment expenses	540,000	356,400	-	-
Issuance of ordinary shares pursuant to the Restructuring Exercise	-	-	21,456,000	30,112,569
Balance at end of financial year	134,225,000	46,292,679	21,457,000	30,115,569

13. Redeemable convertible preference shares

On 28 March 2016, Sim Leisure Escape Sdn. Bhd. ("SLE"), Sim Choo Kheng and Silviya Georgieva Georgieva ("Existing Shareholders") entered into an investment agreement ("Agreement") with a subscriber ("Subscriber"), to issue 2,000,000 redeemable convertible preference shares ("RCPS") at RM8 per share, for an aggregate issue price of RM16,000,000. As at 31 December 2018, the 2,000,000 RCPS were issued and fully paid.

The salient features of the Agreement are as follows:

(i) Subject to Clause (iii) below, the maturity date shall fall on the last day of the period of 5 years from the date of first issuance of the RCPS.

(ii) The Subscriber shall be entitled to preferential cumulative dividends at the rate of 8% per annum or borrowing rate of CIMB Bank Berhad + 5% per annum, whichever is higher, commencing from the first year of operations and shall be payable half-yearly. Issuance of shares shall be based on the amount of each drawdown. No dividend shall be declared by any company of the Group to ordinary shareholders so long as the capital and/or debt and interest of the shares held by the Subscriber have not been repaid or redeemed in full.

(iii) SLE agrees that the Subscriber shall have the sole and absolute discretion to require SLE to redeem the RCPS or part thereof on the maturity date by repayment of the amount paid for the RCPS or part thereof at the redemption price of RCPS fixed at RM8.00 per RCPS to the Subscriber. The par value for the preference share is RM8.00 per RCPS.

(iv) The RCPS shall be redeemed in the following manner:

a) At least 50% of the net profit of SLE shall be utilised to redeem the RCPS annually. Redemption of the RCPS shall be based on 50% of the net profit of SLE or the scheduled timeline in Clause (iv)(b) below, whichever is earlier.

b) Subject to Clause (iv)(a) above, a sufficient number of RCPS at an aggregate value of RM5 million be redeemed on or before 31 December 2018; a further number of the RCPS at a value of RM5 million be redeemed on or before 31 December 2019; and a final number of shares at a value of RM6 million be redeemed on or before 31 December 2020.

c) The RCPS may be redeemed earlier if so requested by Sim Choo Kheng or by mutual agreement of the Existing Shareholders and Subscriber.

(v) In the event that SLE fails to redeem the RCPS, in accordance with Clause (iii) above, the Subscriber shall have the right to convert the RCPS into fully paid ordinary shares of RM1.00 each in SLE at the conversion rate of 1 ordinary share of RM1.00 for every RM1.00 paid on RCPS, including Subscriber's compounded holding cost of ten (10)% per annum, such premiums payable upon redemption, interest, dividends and tax related thereon as may be due and owing by SLE to the Subscriber provided always that the conversion rate shall be adjusted for any new ordinary shares prior to conversion.

(vi) The Subscriber shall have the same rights as ordinary shareholders of SLE as regards receiving notices, reports and audited accounts, and attending general meetings of the SLE.

(vii) The Subscriber shall have the right to vote at all general meetings of SLE under the following circumstances:

a) on proposal to reduce capital;
b) on proposal to wind up SLE;
c) on proposal for the disposal of the whole of SLE's property, business and undertaking;
d) on a proposal that affects the rights attached to the RCPS;
e) when the dividend or part of the dividend on RCPS is in arrears for more than 6 months; and
f) during the winding up of SLE.

13. Redeemable convertible preference shares (Continued)

The carrying amount of the liability component of the RCPS at the reporting date is derived as follows:

	Group	
	31 December 2019 RM	31 December 2018 RM
Nominal value of RCPS issued	16,000,000	16,000,000
Equity component	(361,989)	(361,989)
Liability component on initial recognition	15,638,011	15,638,011
Add: Accumulated amortisation of discount		
- Opening balance	290,181	215,488
- Accretion of interest during the financial year	38,536	1,537,225
- Interest paid during the financial year	(241,840)	(1,462,532)
- Closing balance	86,877	290,181
Less: Repayments relating to redemption during the financial year	(15,724,888)	-
Liability component at end of financial year	-	15,928,192
Total repayments during the financial year	15,966,728	1,462,532

Presented in the consolidated statement of financial position as:

	Group	
	31 December 2019 RM	31 December 2018 RM
Current liabilities	-	15,928,192
	-	15,928,192

The interest charged for the financial years ended 31 December 2019 and 31 December 2018 were calculated by applying an effective interest rate of 9.26% to 9.83% to the liability component since the RCPS were issued.

On 4 March 2019, all outstanding redeemable convertible preference shares ("RCPS") including all interest accrued on the outstanding RCPS had been fully repaid by the Company on behalf of a subsidiary of the Group, Sim Leisure Escape Sdn. Bhd. ("SLE"). Consequently, SLE had issued, and the Company had subscribed for, additional new and fully paid-up ordinary shares in SLE as the settlement of the consideration.

Equity component of RCPS

This represents the residual amount of RCPS after deducting the fair value of the liability component. This amount is presented net of transaction costs and deferred tax liability arising from the RCPS.

14. Capital reserve

Capital reserve represents the recognition of share based payments for IPO expenses.

15. Merger reserve

Merger reserve represents the difference between the consideration paid and the share capital of subsidiaries acquired.

16. Borrowings

	Group	
	31 December 2019	**31 December 2018**
	RM	**RM**
Bank overdrafts	347,086	-
Term loan 1	2,802,025	-
Term loan 2	5,093,276	-
Total interest bearing borrowings	8,242,387	-
Less:		
Amount due for settlement within 12 months	(2,442,282)	-
Amount due for settlement after 12 months	5,800,105	-

Bank overdrafts are repayment on demand.

Term loan 1 is repayable over a period of 5 years and bears average interest rate of 7.60% per annum. The bank overdrafts and term loan 1 are secured by a fixed deposit as disclosed in Note 11 to the financial statements, individual guarantees by a Director of the Company, and a corporate guarantee of the Company.

Term loan 2 is repayable over a period of 4 years, and bears average effective interest rates of 2.5% to 3.00% per annum. It is secured by a basic debenture by way of fixed and floating charge over the subsidiaries' and the Company's future assets, corporate guarantee by the Company's subsidiaries and severally guaranteed by a Director of the Company.

At the end of each reporting date, the fair values of the Group's bank borrowings approximate their carrying amounts.

Bank borrowings balances are denominated in the following currencies:

	Group
	31 December 2019
	RM
Ringgit Malaysia	3,149,111
Singapore Dollar	5,093,276
	8,242,387

17. Lease liabilities/ Finance lease payables

	Leasehold land	Motor vehicle and kiosk	Total
	RM	RM	RM
Group			
Balance at 1 January 2019			
- Finance lease liabilities under SFRS(I) 1-17	-	79,730	79,730
- Adoption of SFRS(I) 16 (Note 2.1)	9,505,901	-	9,505,901
	9,505,901	79,730	9,585,631
Interest expense (Note 20)	258,104	5,423	263,527
Lease payments	(126,666)	(55,896)	(182,562)
Balance at 31 December 2019	9,637,339	29,257	9,666,596

The maturity analysis of lease liabilities of the Group at each reporting date are as follows:

	Group	
	2019	2018
	RM	RM
Contractual undiscounted cash flows		
- Not later than a year	298,434	55,896
- Between one and five years	1,206,794	24,144
- Later than five years	37,370,870	11,504
	38,876,098	91,544
Less: Future interest expense	(29,209,502)	(11,814)
Present value of lease liabilities	9,666,596	79,730
Presented in consolidated statement of financial position		
- Non-current	296,935	29,257
- Current	9,369,661	50,473
	9,666,596	79,730

The Group leases a piece of land in Malaysia. The lease contract provides for payment increases each year by inflation.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligation under leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group, and supported by personal guarantees from certain Directors of the Company.

The Group leases certain assets which qualify as low value assets and the Group also leases certain machinery on a short-term basis (i.e. less than 1 year). The election of short-term leases is made by class of underlying assets with similar nature and use in the Group's operation whereas the low-value lease exemption is made on lease-by-lease basis. These leases which are recognised as expense in the profit or loss are disclosed in Note 21 to the financial statements

As at 31 December 2019, the average incremental borrowing rate applied was 4.88%. As at 31 December 2018, the Group leases a motor vehicle and kiosk under finance leases and the average discount rate implicit in finance lease was 3.44% to 4.27%.

17. Lease liabilities/ Finance lease payables (continued)

The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 0.1% on the reporting date to lease payments that are variable.

	Sensitivity
31 December 2019:	**RM**
Leases of land, a motor vehicle and kiosk	+/- 483,330

Lease liabilities are denominated in Ringgit Malaysia.

18. Trade and other payables

	Group			Company	
	31 December 2019 RM	31 December 2018 RM (Restated)	1 January 2018 RM (Restated)	31 December 2019 RM	31 December 2018 RM
Trade payables					
- third parties	666,715	278,424	285,394	-	-
Other payables					
- third parties	509,830	1,061,264	1,037,313	1,500	-
- related parties	72,849	290,550	585,649	3,228	-
- subsidiaries	-	-	-	4,295,634	302,137
- a Director of the Company	-	-	5,966,118	32,500	-
	582,679	1,351,814	7,589,080	4,332,862	302,137
Deferred revenue	545,913	460,986	238,358	-	-
Interest payable on redeemable convertible preference shares	-	66,323	66,323	-	-
Accrued operating expenses	1,097,310	483,108	1,953,349	190,460	90,966
	2,892,617	2,640,655	10,132,504	4,523,322	393,103

Trade payables are unsecured, non-interest bearing and are normally settled between 30 to 90 days' terms.
The non-trade amounts due to related parties, subsidiaries and a Director of the Company are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group			Company	
	31 December 2019 RM	31 December 2018 RM (Restated)	1 January 2018 RM (Restated)	31 December 2019 RM	31 December 2018 RM
Ringgit Malaysia	2,605,667	2,249,306	9,927,828	4,300,362	-
United States Dollar	315	2,418	68,638	-	-
Singapore Dollar	222,960	275,838	85,281	222,960	362,263
United Arab Emirates Dirham	46,254	82,253	49,870	-	-
Chinese Renminbi	8,547	30,840	887	-	30,840
Euro	8,874	-	-	-	-
	2,892,617	2,640,655	10,132,504	4,523,322	393,103

19. Revenue

Disaggregation of revenue

Disaggregation of the Group's revenue for the financial year is as follows:

	Group	
	2019	**2018**
	RM	**RM**
		(Restated)
Type of goods or services		
Admission fees to theme parks	18,446,532	17,947,617
Sale of food, beverages and merchandise	3,037,224	2,772,131
Services rendered	375,859	339,181
	21,859,615	21,058,929

Revenue from admission fees to theme parks, sale of food, beverages and merchandise and services rendered are recognised at a point in time.

20. Finance costs

	Group	
	2019	**2018**
	RM	**RM**
Interest expense		
- lease liabilities	263,527	5,839
- term loan	66,912	-
- redeemable convertible preference shares	38,536	1,537,225
- bank overdraft	26,940	-
	395,915	1,543,064

21. Profit before income tax

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2019	**2018**
	RM	**RM**
Cost of sales		
Depreciation of plant and equipment	2,033,849	2,280,760
Amortisation of right-of-use assets (Note 5)	224,074	-
Cost of inventories recognised as expense	1,948,763	1,951,509
Utilities expenses	442,691	407,988
Repair and maintenance expenses	490,236	483,262
Insurance for visitors	252,630	221,597
Rental expenses on operating leases:		
- land	-	136,424
- equipment	-	51,070

21. Profit before income tax (Continued)

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges: (Continued)

	Group	
	2019	**2018**
	RM	**RM**
Cost of sales (Continued)		
Lease expenses on:		
- low value assets	28,754	-
Employee benefit expenses		
- salaries, bonus and other benefits	2,548,098	2,144,291
- social security contributions	35,412	26,833
- defined contribution plans	288,123	231,920
Administrative and other expenses		
Audit fees paid/payable to auditors:		
- Auditors of the Company	159,000	94,500
- Other auditors	73,500	56,000
Non-audit fees paid/payable to auditors:		
- Auditors of the Company	-	-
- Other auditors	25,700	16,000
Depreciation of plant and equipment	182,794	157,762
Rental expenses on operating leases:		
- land	-	104,545
- office equipment	-	14,741
- staff accommodation	-	36,400
Lease expenses on:		
- short term leases	88,876	-
Travelling and vehicle expenses	353,489	195,582
Marketing and promotion expenses	218,314	374,085
Payment portal and credit card fees	290,437	291,472
Legal and professional fees	925,057	389,344
IPO expenses and disbursements	3,980,853	-
Directors' remuneration		
-directors' fee	499,869	-
- salaries, bonus and other benefits	454,832	306,000
- social security contributions	2,900	923
- defined contribution plans	55,900	23,400
Employee benefit expenses		
- salaries, bonus and other benefits	1,720,218	564,876
- social security contributions	10,488	5,827
- defined contribution plans	79,347	54,273

21. Profit before income tax (Continued)

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges: (Continued)

	Group	
	2019	2018
	RM	RM
Employee benefits expenses are included in the following line items:		
- Cost of sales	2,871,633	2,403,044
- Administrative and other expenses	1,810,053	624,976
Total employee benefits expenses	4,681,686	3,028,020
Depreciation of plant and equipment is included in the following line items:		
- Cost of sales	2,033,849	2,280,760
- Administrative and other expenses	182,794	157,762
Total depreciation of plant and equipment (Note 4)	2,216,643	2,438,522

22. Income tax expense

	Group	
	2019	2018
	RM	RM
		(Restated)
Current income tax		
- current financial year	221,200	1,291,948
- under/(over) provision in prior financial years	204,823	(29,509)
	426,023	1,262,439
Deferred income tax		
- current financial year	1,520,027	826,957
- (over)/under provision in prior financial years	(69,961)	16,500
	1,450,066	843,457
Total income tax expense recognised in profit or loss	1,876,089	2,105,896

22. Income tax expense (Continued)

	Group	
	2019	**2018**
	RM	**RM**
		(Restated)
Profit before income tax	2,106,665	8,009,820
Tax at the domestic tax rates applicable to profit in the countries where the Group operates	884,300	1,930,100
Tax effect in respect of:		
Non-allowable expenses	1,334,561	417,600
Income not subject to tax	(2,400)	(900)
Tax exemption under pioneer status	(461,800)	(209,552)
Deferred tax assets not recognised	3,800	76,300
Utilisation of deferred tax assets not recognised previously	-	(65,100)
Deferred tax on redeemable convertible preference shares	(17,234)	(29,543)
Under/(Over) provision of current income tax in prior financial years	204,823	(29,509)
(Over)/Under provision of deferred income tax in prior financial years	(69,961)	16,500
Total income tax expense	1,876,089	2,105,896

On 11 March 2016, a subsidiary of the Group had obtained approval for pioneer status from the Ministry of International Trade and Industry for a period of 5 years, where 70% of income derived from the promoted business is exempted from corporate income tax.

23. Earnings per share

The calculation of earnings per share ("EPS") is based on the following data:

	Group	
	2019	**2018**
	RM	**RM**
		(Restated)
Profit for the financial year attributable to owners of the parent	234,891	5,903,924
Weighted-average number of ordinary shares in issue during the financial year	129,755,833	107,285,000

The calculations of basic earnings per share are based on profit attributable to owners of the parent divided by the weighted average number of ordinary shares outstanding during the financial year.

The diluted EPS would be equivalent to the basic EPS as the Company does not have any dilutive potential ordinary shares.

The number of ordinary shares used for the calculation of basic earnings per share in a common control combination, which is accounted for using merger accounting, was the aggregate of the number of shares of the Company whose shares are outstanding after the combination. In 2019, the 21,457,000 shares in the Company were sub-divided into 107,285,000 ordinary shares, which changed the number of ordinary shares outstanding without a corresponding change in resources.

24. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the information disclosed elsewhere in the financial statements, the following were significant related party transactions at rates and terms agreed between the Group with its related parties during the financial year:

	Group	
	2019	2018
	RM	RM
With related parties		
Rental charged by a related party	-	4,000
Construction costs charged by a related party	6,299,240	8,624,085
Staff secondment costs charged to a related party	-	121,531
Staff meals charged by a related party	-	17,589
Advance to a related party	-	508,000
Payment on behalf of related parties	420	382,441
Payment on behalf by related parties	3,228	607,317
Waiver of retention sum payable to a related party	-	400,000
With a Director of the Company		
Capital contribution through conversion of novated debts in a subsidiary	-	6,612,529
Advance from a Director	-	646,422

Related parties are companies in which the Directors of the Company have significant interest.

Compensation of key management personnel

Key management personnel are directors of the Group and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly, or indirectly.

The remuneration of key management personnel of the Group during the financial year was as follows:

	Group	
	2019	2018
	RM	RM
Short-term employee benefits	678,927	574,620
Post-employment benefits	90,462	61,090
Directors' fee	499,869	-
	1,269,258	635,710
Comprised amounts paid to:		
Directors of the Company	1,013,501	330,323
Other key management personnel	255,757	305,387
	1,269,258	635,710

The outstanding balances as at the end of the reporting period with related parties are disclosed in Notes 9 and 18 to the financial statements and are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated.

25. Operating lease commitments

The Group as lessee

The Group leases leasehold land under non-cancellable operating leases. The operating lease commitment is based on existing rental rates. The lease term is 26 years with an option to renew for another 30 years. Upon the adoption of SFRS(I) 16 by the Group on 1 January 2019, the lease has been recognised as a lease liability (Note 2.1).

As at the end of the prior reporting period, the future minimum lease payable under non-cancellable operating leases contracted for but not recognised as liabilities were as follows:

	Group
	31 December 2018
	RM
Within one financial year	306,667
After one financial year but within five financial years	1,286,667
After five financial years	7,903,253
	9,496,587

As at 31 December 2019, the aggregated undiscounted commitments for short-term leases and low-value leases are immaterial.

26. Capital commitments

As at 31 December 2019, the Group had capital commitments on the acquisition of plant and equipment amounting to Nil (2018: RM5,610,864).

27. Segment information

Management monitors the operating results of the segment separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The Group has only one primary business segment, which is that of theme park operations and events. Revenue from theme park operations and events is derived from ticketing, food and beverages, merchandising sales and locker sales from operating theme parks in Malaysia.

Geographical information

The Group's revenue and assets are mainly derived from Malaysia, accordingly, no geographical segment information is presented for each reporting period.

Major customers

Revenue is mainly derived from customers, which is the general public and corporations. Due to the diverse base of customers visiting the theme parks, the Group is not reliant on any customer for its revenue and no one single customer accounted for more than 10% of the Group's total revenue for the financial years ended 31 December 2019 and 31 December 2018.

28. Financial instruments, financial risks and capital management

The Group's activities expose it to credit risks and liquidity risks arising in the ordinary course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rate and foreign exchange rate.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. If necessary, market risk exposures are measured using sensitivity analysis indicated below.

28.1 Credit risks

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require collaterals.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risks. The Group does not hold any collateral.

The Group's major classes of financial assets are trade and other receivables, cash and cash equivalents and short-term deposits.

Trade receivables

The exposure to credit risk for trade receivables by types of customers at each reporting date is as follows:

	Group	
	31 December 2019	**31 December 2018**
	RM	**RM**
Online payment portals and credit card issuers	114,836	364,339
Travel agencies	224,076	258,751
Others	270	12,325
	339,182	635,415

As at 31 December 2019 and 31 December 2018, approximately 82% and 88% of the Group's trade receivables from third parties were due from 4 and 3 customers respectively.

28. Financial instruments, financial risks and capital management (Continued)

28.1 Credit risks (Continued)

Trade receivables (Continued)

The Group uses an allowance matrix to measure the expected credit losses of trade receivables. In measuring the expected credit losses, trade receivables are grouped based on shared credit risk and days past due. In calculating expected credit loss rates, the Group considers historical loss rates for each aging bracket of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

There is no loss allowance arising from the outstanding trade receivable balances as the expected credit loss is not material.

As at the end of the reporting period, the age analysis of trade receivables past due but not impaired is as follows:

	Group	
	31 December 2019	31 December 2018
	RM	RM
Neither past due nor impaired	156,175	529,444
Past due less than 1 month	27,916	248
Past due 1 to 2 months	94,004	7,007
Past due over 2 to 3 months	2,255	611
Past due over 3 months	58,832	98,105
	339,182	635,415

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Cash and cash equivalents

The Group held cash and cash equivalents of RM4,008,622 as at 31 December 2019 (2018: RM1,704,437). The cash and cash equivalents are held with banks and financial institutions which are currently rated Aa3 to A3, based on Moody's ratings.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances has been measured based on 12-month expected credit loss model. At each reporting date, the Group did not expect any credit losses from non-performance by the counterparties.

Financial guarantee contracts

In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks on subsidiaries' borrowings. The Group's maximum exposure in this is the maximum amount the Group could have to pay if the guarantee is called on. For the financial guarantee issued, the Company has assessed that these subsidiaries have sufficient financial capabilities to meet its contractual cash flows obligation in the near future hence, does not expect any material loss allowance under 12-month expected credit loss model.

28. Financial instruments, financial risks and capital management (Continued)

28.2 Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to ensure that all payment needs are met. As part of its overall prudent liquidity management, the Group minimises liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash to meet its working capital requirements.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The tables have been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to pay.

Contractual maturity analysis

	Effective interest rate	Within one financial year	After one financial year but within five financial years	After five years	Total
	%	RM	RM	RM	RM
Group					
31 December 2019					
Trade and other payables (excluding deferred revenue)	-	2,346,704	-	-	2,346,704
Bank borrowings	2.5% to 7.60%	2,759,291	6,234,713	-	8,994,004
Lease liabilities	3.44% to 4.88%	298,434	1,206,794	37,370,870	38,876,098
		5,404,429	7,441,507	37,370,870	50,216,806
31 December 2018 (Restated)					
Trade and other payables (excluding deferred revenue)	-	2,179,669	-	-	2,179,669
Redeemable convertible preference shares	9.26% to 9.83%	16,181,712	-	-	16,181,712
Finance lease payables	3.44% to 4.27%	55,896	35,648	-	91,544
		18,417,277	35,648	-	18,452,925
Company					
31 December 2019					
Trade and other payables	-	4,523,322	-	-	4,523,322
Financial guarantee contracts	-	1,074,467	2,572,926	-	3,647,393
		5,597,789	2,572,926	-	8,170,715
31 December 2018					
Trade and other payables	-	393,103	-	-	393,103

28. Financial instruments, financial risks and capital management (Continued)

28.3 Market risks

Market risk arises from the Group's use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates (currency risk), interest rates (interest rate risk) or other market factors (other price risk).

Interest rate risks

The Group's results are affected by changes in interest rates due to the impact on interest expenses from borrowings which are at floating interest rates based on the banks' cost of funds. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

If the bank interest rates increases or decreases by 0.5%, the Group's profit or loss and equity will decrease or increase by approximately RM41,212 as at 31 December 2019, arising mainly as a result of higher or lower interest on floating rates for bank borrowings. The interest expense from bank borrowings are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income.

28.4 Capital management policies and objectives

The Group manages capital to ensure that the Group is able to continue as a going concern and maintain an optimal capital structure so as to maximise shareholders' value.

The Group is subject to and has complied with the financial covenants imposed by the banks in respect of certain borrowings which are disclosed in Note 16 to the financial statements, and imposed by the subscriber of Redeemable convertible preference shares which are disclosed in Note 13 to the financial statements, for the financial years ended 31 December 2019 and 31 December 2018 respectively.

The management reviews the capital structure to ensure that the Group is able to service any debt obligations (including principal repayment and interest) based on its operating cash flows. Upon review, the Group will balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary.

The Group's overall strategy remains unchanged during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital based on a gearing ratio, which is net debt divided by total equity plus net debt. The Group includes within net debt, trade and other payables, liability component of redeemable convertible preference shares and finance lease payables less cash and cash equivalents. Total equity comprises of share capital plus reserves.

	Group	
	2019	**2018**
	RM	**RM**
		(Restated)
Trade and other payables	2,892,619	2,640,655
Liability component of redeemable convertible preference shares	-	15,928,192
Bank borrowings	8,242,387	-
Lease liabilities	9,666,596	79,730
Less: Cash and cash equivalents	(3,008,622)	(1,704,437)
Net debt	17,792,980	16,944,140
Total equity	51,591,993	33,730,590
Total capital	69,384,973	50,674,730
Gearing ratio (%)	25.6%	33.4%

28. Financial instruments, financial risks and capital management (Continued)

28.5 Fair value of financial assets and financial liabilities

The carrying amounts of current financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of non-current liabilities in relation to borrowings are disclosed in Note 16 to the financial statements.

28.6 Categories of financial instruments

	Group		Company	
	31 December 2019 RM	31 December 2018 RM (Restated)	31 December 2019 RM	31 December 2018 RM
Financial assets				
Financial assets at amortised costs				
- Trade and other receivables (excluding goods and services tax recoverable)	1,064,300	1,026,600	71,540	-
- Cash and cash equivalents	4,008,622	1,704,437	29,312	3,000
	5,072,922	2,731,037	100,852	3,000
Financial liabilities				
Other financial liabilities, at amortised cost				
- Trade and other payables (excluding deferred revenue)	2,346,704	2,179,669	4,523,322	393,103
- Bank borrowings	8,242,387	-	-	-
- Lease liabilities (2018: Finance lease payables)	9,666,596	79,730	-	-
- Redeemable convertible preference shares	-	15,928,192	-	-
	20,255,687	18,187,591	4,523,322	393,103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. Prior year adjustment

In the prior financial years, management monitored unutilised tickets manually. In the current financial year, management engaged an information technology ("IT") consultant to review the IT system to program to extract the unutilised tickets from the Point-of-Sale in order to perform a thorough review of unutilised tickets so as to ensure revenue is recorded in the appropriate accounting period.

Following the review, a prior year adjustment was made to record deferred revenue of RM397,610 and RM238,358 to the financial years ended 31 December 2018 and 2017 respectively to better reflect the nature of these balances and to conform with current financial year's presentation. Deferred revenue is recorded within "Trade and other payables" in the Group's statement of financial position.

The comparative figures were restated due to cut-off errors on revenue. The effects of the restatement is as follows:

	Group		
	31 December 2018		
	Previously reported	Effect of restatement	As restated
	RM	RM	RM
Consolidated statement of financial position			
Trade and other payables	2,243,045	397,610	2,640,655
Current income tax payable	834,868	(11,252)	823,616
Retained earnings	16,426,307	(386,358)	16,039,949
Consolidated statement of comprehensive income			
Revenue	21,218,181	(159,252)	21,058,929
Profit before tax	8,169,072	(159,252)	8,009,820
Profit for the financial year, representing total comprehensive income for the financial year	6,051,924	(148,000)	5,903,924
Earnings per share (basic and diluted, in cents)	5.64	-	5.50
Consolidated statement of cash flows			
Profit before tax	8,169,072	(159,252)	8,009,820
Working capital changes: Trade and other payables	(197,629)	159,252	(38,377)

	Group		
	1 January 2018		
	Previously reported	Effect of restatement	As restated
	RM	RM	RM
Consolidated statement of financial position			
Trade and other payables	9,894,146	238,358	10,132,504
Retained earnings	10,374,383	(238,358)	10,136,025

30. Subsequent events

On 17 January 2020, subsidiaries of the Group, Sim Leisure Escape Sdn. Bhd. ("SLE") and Sim Leisure Milan Sdn. Bhd. ("SLM") entered into a shareholders' agreement with Mr Milan Vanek in relation to the share capital and operations of SLM. On 21 January 2020, SLE and Mr Milan Vanek subscribed, via cash, for 5,098 and 4,900 new ordinary shares in SLM respectively at an issue price of RM1 per share. SLE will be providing interim funding, via interest-free advances amounting to an aggregate of approximately RM200,000 to SLM for its working capital purposes.

On 4 February 2020, the Group has signed a non-binding memorandum of understanding with Sri Lankan listed Elpitiya Plantations PLC ("Elpitiya"), an associated company of Sri Lankan listed blue chip conglomerate Aitken Spence PLC which will bring its ESCAPE theme parks to Sri Lanka. Elpitiya will sublease land for the project while the Group will develop and operate theme parks under its ESCAPE brand. As of the date of the financial statements, the Group has been granted a preliminary approval to commence the construction.

On 12 March 2020, Tropika Kiara Sdn. Bhd. ("TKSB") has acquired 12,422,500 shares in the Company through a transfer from a Director of the Company. On 24 March 2020, TKSB has entered into a subscription agreement to subscribe to a further 13,422,500 shares for a subscription price of S$2,952,950. This subscription is subject to final approval by shareholders in the Company's next Annual General Meeting.

On 25 March 2020, the Company has incorporated a 60%-owned subsidiary, Sim Leisure Creative Pte. Ltd. in Singapore. The remaining 40% shareholding interests in Sim Leisure Creative are held by two third parties who are not related to any of the Directors or substantial shareholders of the Company and their respective associates. Sim Leisure Creative has an issued and fully paid-up share capital of S$10,000. Its principal activity is to carry out business in relation to leasing of non-financial intangible assets (such as patents, trademarks, brand names and etc) and management consultancy services.

2019 Novel Coronavirus infection ('COVID-19')

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was extended on 25 March 2020 for another 2 weeks until 14 April 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with SFRS(I) 1-10 Events after the Reporting Period. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- Reduced consumer demand for goods and services of the Company owing to lost income and/or restrictions on consumers' ability to move freely;
- Lack of investment in capital improvements and construction, thus reducing demand for goods and services of the Group;
- Reduction in market prices of financial assets, including debt and equity instruments; and
- Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of these financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 13 APRIL 2020

ISSUED AND FULLY PAID-UP SHARE CAPITAL	:	S$15,825,762
NUMBER OF ISSUED SHARES	:	134,225,000
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	ONE VOTE PER ORDINARY SHARE (EXCLUDING TREASURY SHARES AND SUBSIDIARY HOLDINGS)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO.OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	6	11.76	4,200	0.00
1,001 – 10,000	15	29.41	100,800	0.08
10,001 – 1,000,000	21	41.18	3,352,095	2.50
1,000,001 AND ABOVE	9	17.65	130,767,905	97.42
TOTAL	**51**	**100.00**	**134,225,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(as shown in the Company's Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
SIM CHOO KHENG	91,183,730	67.93	-	-
Tropika Kiara Sdn Bhd	12,422,500	9.25	-	-
Tan Boon Seng [(1)]	1,000,000	0.75	12,422,500	9.25

[(1)] The entire issued and paid-up share capital of Tropika Kiara Sdn. Bhd. ("**TKSB**") is held by RHB Trustees Berhad as bare trustee for the SWY Trust. The SWY Trust is a family trust and the named beneficiaries are Mr Tan Boon Seng, Mr Tan Boon Yao and Mr Tan Boon Wy ("**Named Beneficiaries**"). The Named Beneficiaries are also settlors of the SWY Trust. Mr Tan Boon Seng is the protector of the SWY Trust and has the power to, *inter alia*, remove and appoint a new trustee. Mr Tan Boon Seng is also in charge of operating the assets within the SWY Trust. Mr Tan Boon Seng is also a director of TKSB. By virtue of Section 4 of the Securities and Futures Act, Mr Tan Boon Seng is deemed to have an interest in the 12,422,500 shares in the Company held by TKSB.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 13 April 2020 and to the best knowledge of the Directors of the Company, approximately 20.76% of the issued ordinary shares of the Company was held by the public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). Accordingly, the Company has complied with Rule 723 of the Catalist Rules which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

STATISTICS OF SHAREHOLDINGS

AS AT 13 APRIL 2020

TOP TWENTY SHAREHOLDERS

NO.	NAME	NO. OF SHARES	% OF SHARES
1	SIM CHOO KHENG	91,183,730	67.93
2	MAYBANK KIM ENG SECURITIES PTE.LTD	12,642,500	9.42
3	OCBC SECURITIES PRIVATE LTD	6,920,000	5.16
4	UOB KAY HIAN PTE LTD	5,100,000	3.80
5	RHB SECURITIES SINGAPORE PTE LTD	4,864,400	3.62
6	DBSN SERVICES PTE LTD	3,955,800	2.95
7	NOMURA SINGAPORE LIMITED	3,000,000	2.24
8	YEOH SENG HOOI	2,013,375	1.50
9	DBS NOMINEES PTE LTD	1,088,100	0.81
10	SILVIYA GEORGIEVA GEORGIEVA	665,395	0.50
11	SIM GOAY HEOH	637,000	0.47
12	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	411,000	0.31
13	ABN AMRO CLEARING BANK N.V.	401,100	0.30
14	LIM BEE PHENG	227,000	0.17
15	SIM GOAY HOON	198,800	0.15
16	PHILLIP SECURITIES PTE LTD	159,600	0.12
17	LOH TEE YANG	100,000	0.07
18	YEOH BEE YEE	80,000	0.06
19	ANG PENG HWA	79,000	0.06
20	STRATEGIC ADVISORY AND CAPITAL PTE LTD	78,500	0.06
	TOTAL	**133,805,300**	**99.70**

PROPOSED RESOLUTIONS FOR FORTHCOMING ANNUAL GENERAL MEETING

As announced by Sim Leisure Group Ltd. (the "**Company**") on 14 April 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual Report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the audited financial statements of the Company and the Group for the financial year ended 31 December 2019 ("**FY2019**") together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect the following directors of the Company ("**Directors**") retiring pursuant to the constitution of the Company ("**Constitution**") and who, being eligible, offer themselves for re-election, as Directors:

   Mr Tay Eng Kiat Jackson (Regulation 102) **(Resolution 2)**

   Mr Sim Choo Kheng (Regulation 103) **(Resolution 3)**

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$130,000 for the financial year ending 31 December 2020, to be paid quarterly in arrears. **(Resolution 4)**

5. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as ordinary resolutions, with or without modifications:

7. Authority to allot and issue shares in the capital of the Company **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Constitution and the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), the Directors be and are hereby authorised to:

   (a) (i) allot and issue shares in the capital of the Company (the "**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) does not exceed one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the existing shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) (where applicable) new Shares arising from the exercise of share options or vesting of share awards, provided that the share options or share awards were granted in compliance with Part Vlll of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of Shares;

and provided also that adjustments under sub-paragraphs (a) and (b) above are only to be made in respect of new Shares arising from Instruments, convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution of the Company for the time being in force; and

(iv) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (ii)]

PROPOSED RESOLUTIONS FOR FORTHCOMING ANNUAL GENERAL MEETING

8. Authority to grant options and to allot and issue Shares under the Sim Leisure Employee Share Option Scheme **(Resolution 7)**

   "That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to offer and grant options in accordance with the provisions of the Sim Leisure Employee Share Option Scheme (the "**ESOS**") and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the exercise of options granted under the ESOS (including but not limited to the allotment and issuance of Shares at any time, whether during the continuance of this authority or thereafter, pursuant to options made or granted by the Company whether granted during the subsistence of this authority or otherwise), provided that the aggregate number of Shares allotted and issued and/or issuable pursuant to the ESOS, the Sim Leisure Performance Share Plan and options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

   [See Explanatory Note (iii)]

9. Authority to grant awards and to allot and issue Shares under the Sim Leisure Performance Share Plan **(Resolution 8)**

   "That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to offer and grant awards in accordance with the provisions of the Sim Leisure Performance Share Plan (the "**PSP**") and to allot and issue from time to time such number of fully paid-up Shares as may be required to be allotted and issued pursuant to the vesting of awards granted under the PSP (including but not limited to the allotment and issuance of Shares at any time, whether during the continuance of this authority or thereafter, pursuant to awards made or granted by the Company whether granted during the subsistence of this authority or otherwise), provided that the aggregate number of Shares allotted and issued and/or issuable pursuant to the PSP, the ESOS and options or awards granted under any other share option scheme, share award scheme or share incentive scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time; and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

   [See Explanatory Note (iii)]

PROPOSED RESOLUTIONS FOR FORTHCOMING ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Tay Eng Kiat Jackson will, upon re-election as a Director, remain as the Chairman and Independent Director, Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of the Company. Mr Tay Eng Kiat Jackson is considered independent by the Board of Directors of the Company for the purpose of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Tay Eng Kiat Jackson and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.

Mr Sim Choo Kheng will, upon re-election as a Director, remain as an Executive Director and Chief Executive Officer of the Company.

Detailed information (including information as required pursuant to Rule 720(5) of the Catalist Rules) on the abovementioned Directors who are proposed to be re-elected at the AGM of the Company can be found in the Company's annual report 2019, in the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement".

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors from the date of the AGM of the Company until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares, make or grant Instruments convertible into Shares, and to issue Shares in pursuance of such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any), of which up to fifty per centum (50%) may be issued other than on a *pro rata* basis to the shareholders of the Company.

(iii) The Ordinary Resolutions 7 and 8 proposed in items 8 and 9 above, if passed, will empower the Directors from the date of the AGM of the Company until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied and revoked by the Company in a general meeting, whichever is earlier, to allot and issue Shares pursuant to the vesting of awards and the exercise of options under the PSP and ESOS respectively, when added to the number of Shares issued and issuable under other share-based incentives schemes or share plans of the Company shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time.

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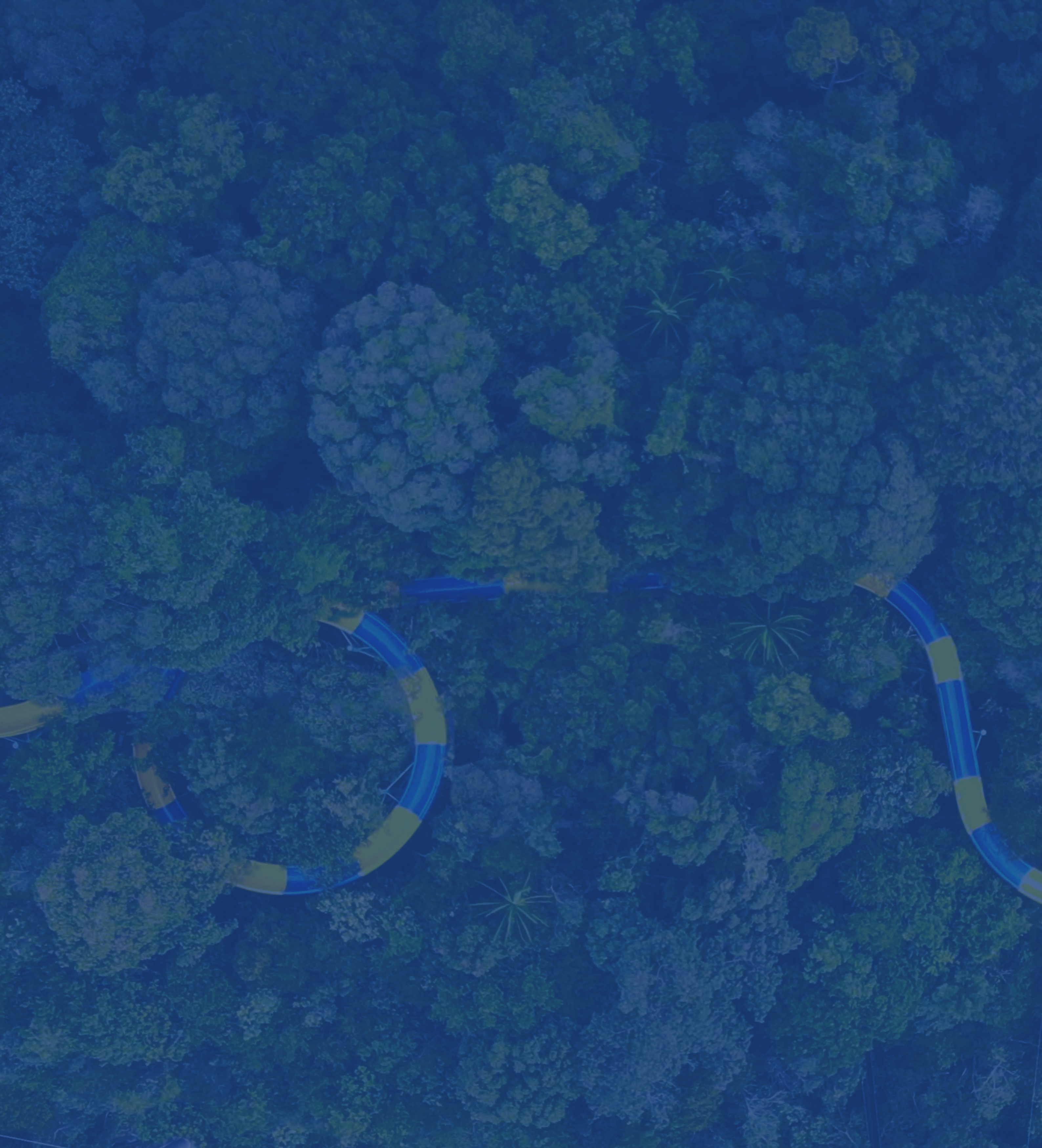

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