

Sim Leisure Group Ltd.

(Company Registration Number: 201808096D)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The board of directors (the “**Board**” or “**Directors**”) of Sim Leisure Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s annual report for the financial year ended 31 December 2019. The Company wishes to provide its responses to the queries from SIAS below:

SIAS Query 1

In the CEO’s message (pages 2 to 4 in the annual report), it was highlighted that the three ESCAPE theme parks that the group operates in Penang are “unique” in their resilience to the present slowdown because as much as 80% of the visitors are domestic tourists. This was also based on the “strong recovery” experienced after the 2009 financial crisis.

(i) Given that the group’s first theme park, ESCAPE Adventureplay, commenced operations in 2012, can management help shareholders understand the basis of the comment that there was a “strong recovery” experienced after the 2009 financial crisis?

Company’s Response

Mr. Sim Choo Kheng (“Mr. Sim”), Executive Director and Chief Executive Officer of the Company, the founder of the ESCAPE brand of theme parks, has over 30 years of experience in the theme park management industry, not only in designing parks all over the world but also building them for various companies. In all, his involvement spans over 100 major projects worldwide, which not only included projects in the Middle East, but also in Europe and Asia, such as The Lost Paradise of Dilmun in Bahrain, Ski Egypt in Cairo, Legoland in Denmark & Malaysia, Universal Studios in Singapore, Aquapolis in Bulgaria, Ulynovsk Park in Russia, Motiongate Park in Dubai, and Yas Waterworld in Abu Dhabi.

Although ESCAPE Adventureplay was not in operations during the financial crisis, Mr. Sim’s reference to the ‘strong recovery’ he witnessed in 2009 came from his first-hand experience in managing the Lost Paradise Dilmun Theme Park in Bahrain. The park visitors were mainly locals and the rebound in revenue was significantly faster and higher than other theme parks globally which were dependent on tourist traffic. Hence, his conjecture that the 80% local visitors will be the crucial ingredient to the recovery he expects to see in ESCAPE Penang.

Since 18 March 2020, the Malaysian government has imposed a nationwide Movement Control Order (“MCO”) to curb the spread of COVID-19. The MCO has been extended twice, until 12 May 2020.

(ii) Would the company be making timely updates to help shareholders understand the impact of the MCO on the group’s operations and financial position?

Company’s Response

The Board is assessing the impact of the MCO and the COVID-19 pandemic on the Group’s operations as well as financial performance and position, and will endeavour to provide timely updates to shareholders. During this critical period, the Group is receiving financial assistance from the Malaysian authorities through the government relief fund, and staff salary subsidies for non-exempt employees. Applications have been made to the Penang State Government to waive the lease payment and assessment for 2020. Also, the upcoming 10% new share placement in the Company will raise close to RM9 million, of which 40% of the net proceeds would be used for general working capital for the Group.

(iii) How is the company going to address the negative impact due to the pandemic (and the crowd control measures thereafter) on the group’s theme park business model that is based on high visitor-ship?

Company’s Response

ESCAPE Penang is now in the midst of preparing for the lifting of the MCO by 12 May 2020, and receiving the Hari Raya 'crowd' in the coming weeks. Management has not been idle and has taken the closure of the park pursuant to the MCO as an opportunity to do maintenance and refurbishment exercises of the attractions and the premises.

To institute 'crowd control' in light of the pandemic, the park will operate under a 'guided activities' format, not unlike the Club Med model. The Group intends to on a daily basis, open ESCAPE Adventureplay from 10 am to 2 pm, ESCAPE Waterplay from 2 pm to 6 pm, and ESCAPE Gravityplay from 1 pm to 6 pm. Guests will be 'grouped' to participate in the activities but many of the attractions are performed individually hence control of the crowds are significantly easier.

This new approach is expected to result in cost savings for the Group, not only in using 25% less manpower, but also on the energy front.

SIAS Query 2

The group crystallised its global aspirations with the signing of an agreement to build a theme park outside Colombo, Sri Lanka and the granting of its IP rights to a Chinese waterpark equipment manufacturer, supplier and contractor. In addition, it has formed a joint venture with a partner who is a specialist in the construction, maintenance, safety and operation of adventure parks, with over 40 projects completed in America, Europe and Asia.

In Malaysia, the group is setting up an indoor theme park in Petaling Jaya, Malaysia.

(i) How does the board ensure that the management team has the experience and the capacity to expand the group on so many fronts and in different regions, with different partners when

management's attention is needed to oversee and run the core operations in Malaysia which has been affected by the pandemic?

Company's Response

The management of the Company works in a modular manner, with the various projects driven by different groups of managers. For the Sri Lankan joint venture, the Company's listed partner, Elpitiya Plantations, will provide local expertise in the development while the Company will contribute to the design and management of the theme park. In line with the Group's strategy of tapping into the domestic tourism market, the Company intends to take advantage of rising affluence in the island republic of 20 million people to visit ESCAPE Sri Lanka.

As for the IP rights venture, the Company is able to leverage on the use of the 'Sim Leisure' name by Guangzhou Daxin Group and earn 5% royalty fees for that right. The Group has no direct interest, and is not involved in the business of manufacturing, supplying, and selling waterpark equipment in China.

The market in China is significant with over half a billion Chinese visiting local amusement parks in 2017. Amusement park spending in China is forecast to surpass US\$6 billion by 2019 making it the world's fastest growing market. Research shows that 64 new parks were expected to be established between 2015 and 2020, with a total investment of about US\$24 billion. Although this number will likely be lower arising from the pandemic, anecdotal evidence suggests that China will recover faster relative to other countries and therefore, continue to invest in this sector.

By inking the IP rights agreement, the Company gets to enjoy 'recurring' income from this burgeoning market via the goodwill Mr. Sim has built over the years in the marketplace.

ESCAPE Challenge, the Company's showcase indoor theme park in Petaling Jaya, will be managed by experienced managers familiar with similar set-ups to oversee the day-to-day operations. The opening has been delayed by the onset of the pandemic, but will most assuredly be operational latest by 2H 2020.

ESCAPE Penang has been in existence for over 7 years and as such, has a full-fledged team of staff onsite who will continue with business as usual.

SIAS Query 3

In FY2019, the group purchased plant and equipment amounting to RM13.55 million (page 53 – Consolidated statement of cash flows). This was mostly attributed to the capitalisation of assets of ESCAPE Gravityplay amounting to RM12.32 million.

(i) Is the development of ESCAPE Gravityplay completed?

Company's Response

ESCAPE Gravityplay is fully opened with attractions such as Hill Rider, Tubby Racer, and the Guinness Book of Records' longest inner tube water slide in the world. Since the official launch of The World's Longest Tube Water Slide in November 2019, ESCAPE has seen a pick-up in visitors prior to the pandemic. ESCAPE was registering stronger visitor numbers in December 2019 and January 2020 before the Covid-19 epidemic brought visitor numbers down.

As at 31 December 2019, cash and cash equivalents amounted to RM3.0 million. The company has entered into a subscription agreement with Tropika Kiara Sdn. Bhd. for a further 13,422,500 shares amounting to a subscription price of S\$2.95 million. As disclosed in Note 26 (page 90 – Capital commitments), the group has no outstanding capital commitment as at 31 December 2019.

(ii) Would management help shareholders understand the typical investment budget for a project like the Sri Lanka theme park, and the new indoor theme park?

Company's Response

The Company has an asset light model and prefers to partner with other companies which are willing to contribute to the joint venture via the availability of suitable land along with financing of the development of the theme parks. In return, the Company's partners enjoy a percentage from overall revenue of the park as well as any development potential in the surrounding vicinity. The Group's financial capabilities are limited at present, so management's strategy to not overstretch its balance sheet is fully supported by the Board.

As such, the investment into the Sri Lankan theme park comprises the Company's 51% stake in the joint venture company, Venture Valley Pte Ltd which has a paid-up capital of US\$1.6 million. The current budget for Phase 1 of ESCAPE Sri Lanka is US\$4.0 million which will be 40% funded by equity, and the remaining 60% via bank borrowings.

The Board would like to add that the Company's success has stemmed from the Group's disruptive business model that is projected to infiltrate new markets set to welcome this genre of affordable family entertainment. The Group's cost-competitive business model is key to ensuring profitability in this business that has traditionally been dominated by big US and European theme park operators. The Group's regional competitors that have tried to emulate the Western model have faltered because of the entry price to local purchasing power mismatch.

The Group's ability to capitalize on competitive land, low operating and maintenance costs is key to attaining the Group's excellent track record.

(iii) In the evaluation stage, what is the typical payback period?

Company's Response

The typical payback period for any theme park the Company decides to operate is within 5 years.

By order of the Board

Sim Choo Kheng
Executive Director and Chief Executive Officer
8 May 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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