海天地悅旅集團有限公司

S.A.I. LEISURE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1832

GLOBAL OFFERING

Sole Sponsor

交銀國際
BOCOM International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

交銀國際
BOCOM International

光大新鴻基
EVERBRIGHT SUN HUNG KAI

海通國際
HAITONG

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.

海天地悅旅集團有限公司
S.A.I. LEISURE GROUP COMPANY LIMITED

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**90,000,000 Shares (subject to the Over-Allotment Option)**
Number of Hong Kong Offer Shares	**:**	**9,000,000 Shares (subject to adjustment or reallocation)**
Number of International Offer Shares	**:**	**81,000,000 Shares (subject to the Over-Allotment Option and adjustment or reallocation)**
Maximum Offer Price	**:**	**HK$4.48 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1832**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, May 8, 2019 (Hong Kong time) and, in any event, not later than Tuesday, May 14, 2019 (Hong Kong time). The Offer Price will be not more than HK$4.48 and is currently expected to be not less than HK$3.54. If, for any reason, the Offer Price is not agreed by Tuesday, May 14, 2019 (Hong Kong time) among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination" for further details.

Prior to making an investment decision, potential investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S.

April 30, 2019

EXPECTED TIMETABLE [(1)]

We will issue an announcement *in Hong Kong to be published in* the *South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) if there is any change in the following expected timetable of the Hong Kong Public Offering:*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Tuesday, April 30, 2019
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website (**www.hkeipo.hk**)[(2)]	11:30 a.m. on Tuesday, May 7, 2019
Application lists open[(3)]	11:45 a.m. on Tuesday, May 7, 2019
Latest time to: (1) lodge **WHITE** and **YELLOW** Application Forms; (2) complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s); and (3) give **electronic application instructions** to HKSCC[(4)]	12:00 noon on Tuesday, May 7, 2019
Application lists close[(3)]	12:00 noon on Tuesday, May 7, 2019
Expected Price Determination Date[(5)]	Wednesday, May 8, 2019
Announcement of the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on or before	Wednesday, May 15, 2019
Results of allocations under the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) (for further details, see "How to Apply for Hong Kong Offer Shares — 11. Publication of Results") from	Wednesday, May 15, 2019
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID Number/Business Registration Number" function on a 24-hour basis from	Wednesday, May 15, 2019

Despatch/Collection of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[(6), (7), (8)]	Wednesday, May 15, 2019
Despatch/Collection of Share certificates on or before[(6), (7)]	Wednesday, May 15, 2019
Dealings in the Shares on the Stock Exchange expected to commence on	9:00 a.m. on Thursday, May 16, 2019

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, May 7, 2019, the application lists will not open on that day. For details, please see "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists".

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC Via CCASS" for further details.

5. The Price Determination Date is expected to be on or around Wednesday, May 8, 2019. If, for any reason, the Offer Price is not agreed by Tuesday, May 14, 2019 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, May 15, 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, May 16, 2019 provided that: (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

7. Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required in their Application Forms that they may collect Shares certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, May 15, 2019 or any other date notified by us as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorize any other person to make their collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by sending their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

   Applicants who have applied on **YELLOW** Application Forms may collect their refund cheque (if applicable) in person but may not collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to "How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for Hong Kong Offer Shares".

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of our or their respective directors or advisers, or any other person or party involved in the Global Offering. Information contained in our website, located at **www.saileisuregroup.com** *does not form part of this Prospectus.*

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This summary aims to give potential investors an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to potential investors and is qualified in its entirety by, and should be read in conjunction with, the full text of this Prospectus. Potential investors should read the whole document including the appendices hereto, which constitute an integral part of this Prospectus, before making a decision to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks associated with an in the Offer Shares are set out in "Risk Factors". Potential investors should read that section carefully before making a decision to invest in the Offer Shares.

OVERVIEW

We are one of the leading leisure tourism groups in the tropical islands of Saipan and Guam, the U.S. territories located in the Western Pacific Region around 3,500 k.m., or a 5-hour flight, from Hong Kong. With tourism revenue close to US$2.5 billion in 2017, Saipan and Guam have each become a popular beach holiday destination for Asian Pacific travelers and benefit from tourism-driven government policies and gradual relaxation of visa and entry requirements. Between 2013 and 2017, tourist arrivals in Saipan and Guam grew on a CAGR basis at 10.8% and 3.9%, respectively. In Saipan, our principal base of operations, the market size of the leisure tourism industry reached US$581.5 million in 2017, of which we commanded a market share of 9.8% in terms of revenue. In the same year, we held a 33.7% market share in terms of revenue and 24.5% in terms of number of rooms sold in Saipan's hotels and resorts industry, and were the #1 market player by revenue, number of properties and number of rooms sold, according to Frost & Sullivan.

Founded in April 1997 under the distinct leadership of Chairman Tan (Chairman of our Board and a Non-Executive Director) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer), both well-respected, committed entrepreneurs in Hong Kong and the Western Pacific Region, we have since grown from a single hotel in Saipan to a diversified and full-range leisure tourism business in Saipan, Guam and Hawaii that is segmented into **Hotels & Resorts Sector**, **Luxury Travel Retail Sector** and **Destination Services Sector**. The chart below showcases the footprints of our leisure tourism operations and activities:-

Hotels & Resorts	Luxury Travel Retail	Destination Services
Fiesta Resort Saipan	8 boutiques in Guam	Stingray interaction, Saipan
Kanoa Resort, Saipan	5 boutiques in Saipan	Jungle and mountain adventure, Saipan
Century Hotel, Saipan	5 boutiques in Hawaii	Jetovator, Saipan
Fiesta Resort Guam		

Average room rates * . . . . . . US$140.0	Boutique network** 18	Unique excursion tours ** 3
Occupancy rate * 90.9%	Luxury fashion brands ** 9	Souvenir and amenities stores** 3
RevPAR * . . . . .US$127.3	Exclusive brands **/*** . . . . . .5 out of 9	Travel management services

* *For the financial year ended December 31, 2018*

** *As of the Latest Practicable Date*

*** *"Exclusive brands" mean we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii.*

With our corporate name "S.A.I." in mind, we strive to offer leisure travelers memorable and unique holiday experiences encompassing "Sea, Air and Island".

SUMMARY AND HIGHLIGHTS

FINANCIAL PERFORMANCE

We recorded strong operating and financial performance during the Track Record Period with consistently growing revenue. The table below shows a breakdown of our revenue during the Track Record Period by sectors:-

	For the financial year ended December 31					
Sector	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Hotels & Resorts						
Fiesta Resort Saipan	31,144	38.3	33,239	37.2	32,517	32.5
Kanoa Resort	12,074	14.9	13,876	15.5	13,563	13.5
Century Hotel	1,063	1.3	1,293	1.4	1,106	1.1
Fiesta Resort Guam	18,803	23.1	18,686	20.9	19,411	19.4
Sub-total	***63,084***	***77.6***	***67,094***	***75.0***	***66,597***	***66.5***
Luxury Travel Retail	**13,873**	**17.1**	**17,488**	**19.6**	**28,979**	**28.9**
Destination Services	**4,281**	**5.3**	**4,848**	**5.4**	**4,602**	**4.6**
Total	**81,238**	**100.0**	**89,430**	**100.0**	**100,178**	**100.0**

The table below shows a breakdown of our segment results and segment margin during the Track Record Period by sectors:-

	For the financial year ended December 31								
	2016			**2017**			**2018**		
Sector	**Segment results**		**Segment margin**	**Segment results**		**Segment margin**	**Segment results**		**Segment margin**
	(US$'000)	%	%	*(US$'000)*	%	%	*(US$'000)*	%	%
Hotels & Resorts	12,970	90.5	20.6	14,061	89.0	21.0	13,521	90.6	20.3
Luxury Travel Retail	527	3.7	3.8	697	4.4	4.0	468	3.1	1.6
Destination Services	831	5.8	19.4	1,045	6.6	21.6	939	6.3	20.4
Total	**14,328**	**100.0**	**—**	**15,803**	**100.0**	**—**	**14,928**	**100.0**	**—**

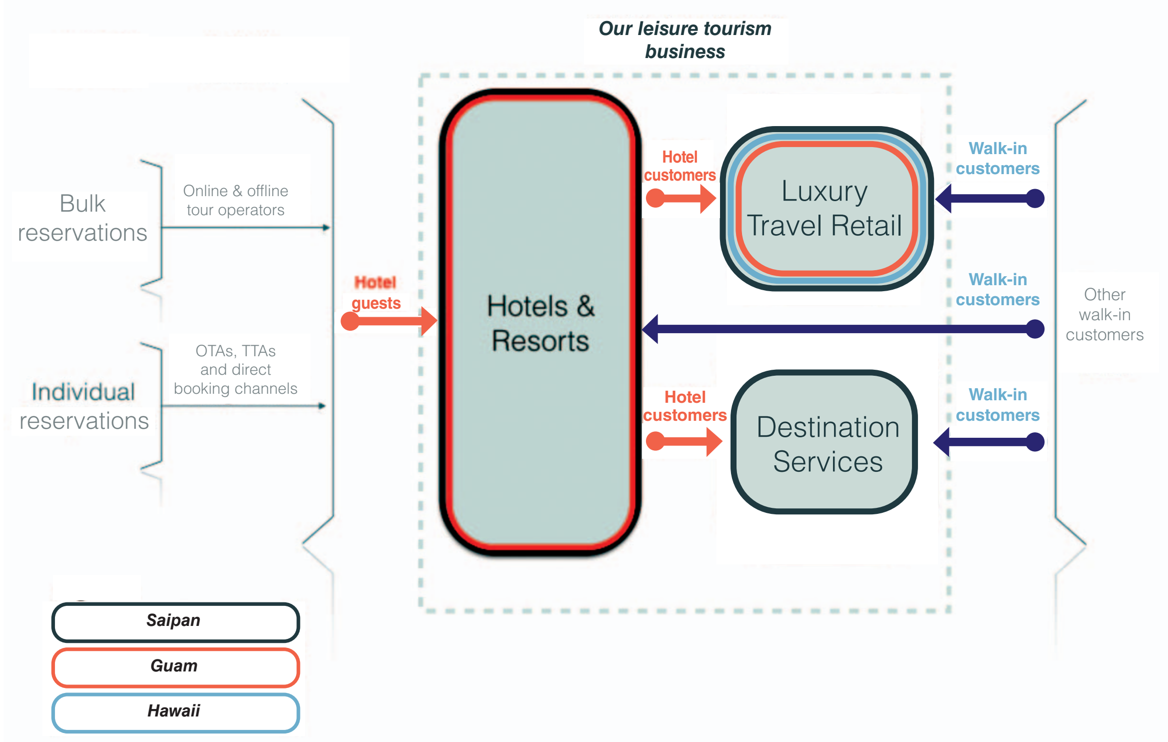
Deeply rooted in and committed to the local leisure tourism market, we generated on average 61.1% and 36.8% of our revenue in Saipan and Guam, respectively, during the Track Record Period. In 2017, we had a market share of 1.7% in Guam's leisure tourism market in terms of revenue and our *Fiesta Resort Guam* was one of the top-10 hotels and resorts in Guam. The table below shows the revenue we generated from Saipan, Guam and Hawaii during the Track Record Period:-

	For the financial year ended December 31					
Location	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Saipan	48,802	60.1	57,263	64.0	59,532	59.4
Guam	32,436	39.9	32,167	36.0	35,163	35.1
Hawaii	—	—	—	—	5,483	5.5
Total	**81,238**	**100.0**	**89,430**	**100.0**	**100,178**	**100.0**

SUMMARY AND HIGHLIGHTS

BUSINESS MODEL

The chart below shows the principal operating model of our leisure tourism business:-



BUSINESS SECTORS

A. Hotels & Resorts Sector

Hotels & Resorts Sector, our top-grossing and flagship sector, self-operates and manages 4 hotels and resorts in Saipan and Guam, each positioned to distinct pricing and recreational needs of our hotel guests. *Fiesta Resort Saipan*, a full-service, family-style resort located in the heart of Garapan, Saipan's tourism center, has been consistently ranked as the #1 resort in Saipan on TripAdvisor, an independent online traveler community. *Kanoa Resort* is a secluded escape away from Saipan's downtown area fronted by a long stretch of white sand beach. *Century Hotel* is an affordable accommodation in Saipan targeted towards budget-conscious holiday-makers and business travelers, and *Fiesta Resort Guam,* situated on Guam's Tumon Bay tourism center, carries the same name and service philosophy of its Saipan counterpart. Together, our well-located and diversified hotels and resorts portfolio recorded an occupancy rate of 90.9% for the financial year ended December 31, 2018 and sold around 330,000 room nights on average per year during the Track Record Period. As a full-range hospitality provider, we also provide food and beverage, meetings, banquets and other hospitality services that cater to the needs of both locals and travelers.

SUMMARY AND HIGHLIGHTS

Hotels & resorts overview

The table below gives an overview of our hotel and resort portfolio as of the Latest Practicable Date:-

	Fiesta Resort Saipan	Kanoa Resort	Century Hotel	Fiesta Resort Guam
Location	Saipan, in the heart of Garapan tourism center	Saipan, secluded location away from downtown area	Saipan, in the heart of Garapan tourism center	Guam, Tumon Bay tourism center
Room *(no.)*	416	224	33	318
GFA *(sq.m.)*	17,644	20,267	1,395	17,567
Market position	Full-service, family-style beachfront resort with prime location	Full-service, family-style beachfront resort secluded from downtown area	Affordable hotel with prime location	Full-service, family-style beachfront resort

Key operating metrics

The hotels and resorts industry uses average room rate (ARR), occupancy rate and revenue per available night (RevPAR) to measure operating performance. The table below shows the key operating metrics of our hotels and resorts during the Track Record Period:-

	For the financial year ended December 31		
	2016	**2017**	**2018**
Average room rate (ARR) *(US$)*			
Fiesta Resort Saipan	144.1	151.0	153.2
Kanoa Resort	104.3	114.3	121.0
Century Hotel	80.5	89.5	88.0
Fiesta Resort Guam	133.9	141.9	140.7
Hotels & Resorts Sector average	**130.0**	**137.5**	**140.0**
Occupancy rate *(%)*			
Fiesta Resort Saipan	95.5	96.8	92.4
Kanoa Resort	89.7	97.7	89.2
Century Hotel	89.6	96.8	88.6
Fiesta Resort Guam	86.0	82.4	90.4
Hotels & Resorts Sector average	**91.0**	**92.4**	**90.9**
Revenue per available night (RevPAR) *(US$)*			
Fiesta Resort Saipan	137.6	146.1	141.6
Kanoa Resort	93.6	111.6	107.9
Century Hotel	72.1	86.7	78.0
Fiesta Resort Guam	115.1	116.9	127.2
Hotels & Resorts Sector average	**118.3**	**127.0**	**127.3**

In 2017, the hotels and resorts industry in Saipan and Guam recorded a market average occupancy rate of 90.9% and 85.3%, respectively, and a market average daily rate of US$145.9 and US$203.3, respectively. During the Track Record Period, our hotels and resorts in Saipan and Guam generally had a higher occupancy rate and lower ARR and RevPAR than our peers in the industry as a whole. Among the top hotels and resorts in Saipan, our hotels and resorts generally had a higher occupancy rate and lower ARR and RevPAR than our mid-market peers.

For the financial year ended December 31, 2018, the operating performance of our Hotels & Resorts Sector was slightly impacted by Super Typhoon Yutu, the strongest typhoon hitting the United States since 1935, which tore through Saipan on October 24, 2018 and caused temporary closure of the Saipan International Airport and temporary suspension of commercial flights for inbound tourists. We did not experience any structural or permanent damage and our hotels and resorts (as well as our travel retail boutiques and other tourism assets) were operational immediately after. By early December 2018, airport had re-opened, tourism activities had gradually returned to normal, and a majority of inbound commercial flights had resumed.

We consider that Super Typhoon Yutu did not have a material or long-lasting effect on our business operations, financial conditions and results of operations. The period of airport closure and suspension of commercial flights into Saipan, being the month of November, is traditionally a low season for us and the leisure tourism market as a whole. Solely for potential investors' reference only and based on our unaudited management accounts, our ARR in Saipan remained on an upward trend between November 2017 and 2018 and grew from around US$125.6 to US$142.8 on a year-on-year basis. On the other hand, our occupancy rate and RevPAR in Saipan reduced from around 93.0% to 68.6% and around US$116.8 to US$97.9, respectively, during the same periods. Our operating performance in Saipan in November 2018 can be attributed to (1) a short-term decline of the occupancy level of our *Kanoa Resort* and *Century Hotel* due to temporary suspension of incoming tourists, and (2) *Fiesta Resort Saipan* hosted a large number of U.S. military, utilities suppliers and relief workers, which countered the decline in occupancy level and generated higher than usual room rates. These impacts were largely offset on a full-year basis and our encouraging performance in Guam, which saw a higher contribution of bookings through OTAs (a booking channel that traditionally commands a bigger margin). For our Group taken as a whole, we recorded an increase in both ARR and RevPAR and experienced a slight reduction in occupancy rate from 92.4% to 90.9% between the financial years ended December 31, 2017 and 2018.

Saipan and Guam are prone to typhoons. Potential investors should carefully read "Risk Factors — Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect demand for travel activities or a general apprehension of such events may significantly and adversely impact on our business and operating results".

Booking channels

Our guest mix is generally in line with Saipan's and Guam's tourist origins. Our key markets are China, South Korea and Japan, followed by Taiwan, the U.S. military and others, providing us with resilience and the ability to optimize revenue against different operating conditions and circumstances. Our Hotels & Resorts Sector sells and markets accommodation (1) in bulk through online and offline tour operators, and (2) as individual reservations through traditional and online travel agents, our own websites and direct hotel bookings. With the growing tendency for global travelers to reserve their accommodation online, our booking channel mix has been tilting towards online travel agencies (OTA), which recorded a sector revenue contribution of 13.7% and 18.3% for the financial years ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% over the Track Record Period. We also maintain a stable volume of booking from tour operators, which accounted for 41.0% of our sector revenue on average during the Track

Record Period. According to our experience and day-to-day guest interactions, most of our online guests are Chinese and South Korean. Our guest mix is principally driven by traveler preferences in our origin markets, government entry and visa requirements, flight schedule and the overall market awareness of Saipan and Guam as holiday destinations.

The table below shows the sector revenue of our Hotels & Resorts Sector by booking channels during the Track Record Period:-

	For the financial year ended December 31					
Booking channels	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Reservations in bulk						
Tour operators[(1)]	28,104	44.6	26,953	40.2	25,672	38.5
Individual reservations						
Online travel agents (OTA)[(1)]	8,645	13.7	11,704	17.4	12,196	18.3
Traditional travel agents (TTA)[(1)]	614	1.0	813	1.2	249	0.4
Direct booking[(1)]	6,681	10.6	6,468	9.6	8,209	12.3
Sub-total	***15,940***	***25.3***	***18,985***	***28.2***	***20,654***	***31.0***
Others[(2)]	19,040	30.1	21,156	31.6	20,271	30.5
Hotels & Resorts Sector total	**63,084**	**100.0**	**67,094**	**100.0**	**66,597**	**100.0**

Notes:

(1) These figures include our in-house guests' spending on food and beverage and other hospitality services and amenities that are purchased at the time of booking.

(2) "Others" includes food and beverage and other hospitality services and amenities purchased by our in-house guests on an ad-hoc basis and non in-house guests, as well as rental income derived from third-party operated services and facilities which are run on concessions.

Operating model

We self-operate and manage our hotels and resorts on leasehold property interests, giving us full control over our operating process with no revenue or profit-sharing component. Our hotels and resorts are operated on land parcels leased from local government entities or private property owners. Under our land leases, ownership of buildings and improvements on these leased land parcels remains with us during the term of the leases. We also receive rental income from third-party operated services and facilities which are run on concessions.

We bear the entire operating costs associated with our hotels and resorts, such as rental payment to our landlords and also capital expenditure. Our land leases are for a fixed term ranging from 30 to 60 years. The table below shows the remaining tenure of the land leases underlying our hotels and resorts:-

	Expiry
Fiesta Resort Saipan	June 30, 2021
Kanoa Resort	June 30, 2024
Century Hotel	July 10, 2042
Fiesta Resort Guam	September 30, 2053

Land lease renewal

The current land leases underlying our *Fiesta Resort Saipan* and *Kanoa Resort* will expire on June 30, 2021 and 2024, respectively. On December 31, 2018, Acting CNMI Governor Victor B. Hocog signed into law Public Law 20-84 ("**PL 20-84**") which provides for an obligation and an authority for the CNMI government to negotiate for the extension of certain public land leases (including our *Fiesta Resort Saipan* and *Kanoa Resort* land leases) for a maximum term of 55 years without publishing a request for proposals and going through a public tender process. Pursuant to PL 20-84, we have commenced official communications with the CNMI government on the renewal of both our *Fiesta Resort Saipan* and *Kanoa Resort* land leases. Our Directors are cautiously optimistic that we will be able to secure without materially onerous terms the renewal of our *Fiesta Resort Saipan* land lease shortly after the Listing and *Kanoa Resort* land lease before the commencement of its asset rejuvenation plan in 2021. We are not the only hotel and resort operator in Saipan that is faced with this issue: 4 established hotels and resorts, including 2 main peers who are ranked as top-5 hotels and resorts in "Industry Overview — Competitive Landscape — Hotels and Resorts Industry — Saipan", also have underlying land leases expiring within the next 5 years and are negotiating with the local government.

The future growth of our *Fiesta Resort Saipan* and *Kanoa Resort* is contingent upon our asset rejuvenation plan, which we will not commence until after the successful renewal of the underlying land leases. If we are unable to secure our land leases renewal, or that the renewal conditions are not commercially viable to us, we run the risks of losing a key source of revenue. If we are unable to secure land leases renewal prior to the expected commencement dates of our asset rejuvenation plan for *Fiesta Resort Saipan* and *Kanoa Resort*, we might have to delay our asset rejuvenation plan, in which case our short-term financial growth may be limited during periods of delay and we may not be able to actualize the potential operating and financial benefits in the manner and timeline we currently contemplate. Potential investors should carefully read "Risk Factors — We may not be able to renew the land leases underlying our hotels and resorts, in which case we will lose a significant portion of our source of revenue".

B. Luxury Travel Retail Sector

Luxury Travel Retail Sector carried 9 world renowned brands (including 5 exclusive brands) of luxurious and leisure clothing, leather goods and fashion accessories across 5 boutiques in Saipan and 8 in Guam as of the Latest Practicable Date, which are operated under franchise and distribution agreements with brand owners to source merchandises against specific operational, service and design requirements. Our boutiques, strategically located within Guam's and Saipan's tourism centers, each houses a single brand and are stand-alone "concept stores", offering travelers genuine shopping experiences. In April 2018, we also established a presence in Honolulu, Hawaii by taking over 5 boutiques under an American accessories brand. An additional boutique is expected to be launched under a French luxury fashion brand in Guam in mid to late 2019.

The table below gives an overview of our boutiques by destinations as of the Latest Practicable Date:-

Destination	Guam	Saipan	Hawaii
Boutiques *(no.)*	8	5	5
Exclusive brands *(no.)*[(1)]	3	4	*nil*
Non-exclusive brands *(no.)*[(1)]	5[(2)]	1	1
Average GFA per boutique *(sq.m.)*	115	112	119

Notes:

(1) "Exclusive brands" means brands for which we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Guam, Saipan and/or Hawaii.

(2) We entered into a franchise and distribution agreement with Brand I, a French luxury fashion brand, in January 2019 in respect of Guam. An additional boutique is expected to be launched in Guam in mid to late 2019.

C. Destination Services Sector

Destination Services Sector is a Saipan-based land operator which offers 3 unique excursion tours that are considered by many as key attractions of the island itself: *SeaTouch* (a stingray interaction experience), *Let's Go* (a 4-wheel drive jungle and mountain adventure) and *Jetovator* (a hydro-powered jetski that propels participants through the air). We also run 3 *iShop* souvenir and amenities stores, offer booking services for third-party operated activities and tours, and work with tour operators to provide destination-based concierge and travel management services to their packaged holiday guests.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths provide the foundation of our market position as the one of the leading tourism groups in Saipan and Guam:-

— Leading tourism operations with extensive footprints in the growing Saipan and Guam markets giving us strong financial and operating results.

— Unique, full-range and one-stop offering of tourism products and services catering to the end-to-end holiday experience of all walks of travelers.

— Complementary business sectors creating synergies from combined operations.

— Active management of multi-faceted booking channels translating into dynamic pricing and optimized operating performance.

— High-degree of flexibility and control through an attractive operating model of self-operation and management.

— Visionary and highly experienced management team with in-depth local knowledge and proven execution capabilities.

STRATEGIES ON FUTURE BUSINESS DEVELOPMENT

Our target-driven business strategies to achieve market share gains and above-market growth are as follows:-

— Maintain and further the market leadership of our Hotels & Resorts Sector. *Our immediate plans include (1) a US$56.7 million asset rejuvenation plan to increase our average room rates and achieve stronger yield growth, and (2) enhanced digital sales and marketing initiatives to engage a broader customer base and optimize our operating performance. In the long run, we will explore suitable opportunities to develop or acquire new hotels and resorts for a sustainable capacity growth.*

— Expand our luxury travel retail offering with new boutiques and expanded brand collection.

— Adapt to market changes and lead the leisure tourism market in Saipan and Guam with innovation.

KEY SUPPLIERS AND CUSTOMERS

The table below shows the key suppliers and customers of our 3 business sectors:

	Key suppliers	Key customers
Hotels & Resorts Sector	Utilities providers and food and beverage ingredient suppliers	Tour operators, TTAs and hotel guests
Luxury Travel Retail Sector	Brand owners	Hotel guests and walk-in customers
Destination Services Sector	Nil	Hotel guests and walk-in customers

For our entire operations as a whole, our key suppliers are utilities providers, food and beverage ingredient suppliers and brand owners, and our key customers are tour operators. We do not consider that we place undue reliance on any of our key suppliers and customers. For the 3 financial years ended December 31, 2018, our 5 largest customers (by revenue contribution) together contributed to 27.8%, 24.8% and 20.6%, respectively, of our total revenue, while our largest customer (by revenue contribution) accounted for 14.2%, 11.2% and 11.4%, respectively, of our total revenue. During the same periods, our 5 largest suppliers (by purchase amount) together contributed to 12.5%, 15.6% and 17.3%, respectively, of our total operating costs, while our largest supplier (by purchase amount) accounted for 3.8%, 5.1% and 6.4%, respectively, of our total operating costs.

KEY FINANCIAL DATA

Summary of consolidated statements of comprehensive income

	For the financial year ended December 31		
	2016	**2017**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*
Revenue	81,238	89,430	100,178
Operating profit	14,288	15,733	12,419
Profit before income tax	14,226	15,733	12,419
Profit for the year	12,469	13,132	11,769

During the Track Record Period, our revenue consistently grew due to satisfactory operating performance and gradual expansion across our Hotels & Resorts, Luxury Travel Retail and Destination Services Sectors and the overall favorable market conditions in the leisure tourism industry in Saipan and Guam (such as the growth in tourist arrivals and market room rates). Our profit for the year correspondingly grew between the financial years ended December 31, 2016 and 2017.

Due to (1) the one-off, non-recurring listing expenses of US$2.5 million charged to our consolidated statements of comprehensive income, and (2) gradual expansion of our Luxury Travel Retail Sector with 6 new boutiques, which enlarged our revenue but generally recorded a lower segment margin compared to our other business sectors because of the associated cost of inventories sold, employee benefit expenses, operating expenses and other related costs, our profit for the year decreased slightly by US$1.3 million, or 9.9%, between the financial years ended December 31, 2017 and 2018.

In May 2017, our Qualifying Certificate for Tourist Class Hotel, which gave APHI Guam (a wholly-owned subsidiary which operated our *Fiesta Resort Guam*) a 75% rebate of corporate income taxes (but not business privilege taxes which we remained to be fully responsible for), expired. The impacts of this certificate were partially offset by the introduction of a fixed corporate income tax rate of 21% in both the CNMI and Guam in lieu of a progressive tax rate of 15% to 39%, effective on January 1, 2018. Consequently, our income tax expense decreased from US$2.6 million to US$0.7 million between the financial year ended December 31, 2017 and 2018, respectively, and our effective tax rate decreased from 16.5% to 5.2%, respectively, for the same periods. We expect that these developments in our tax obligations will not result in a material adverse effect on our financial conditions.

Summary of consolidated statements of financial positions

	As of December 31		
	2016	**2017**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*
Non-current assets	46,461	46,457	44,026
Current assets	19,840	27,325	31,861
Non-current liabilities	1,103	879	956
Current liabilities	10,283	22,288	19,806
Net current assets	9,557	5,037	12,055
Total equity	54,915	50,615	55,125

Our total equity as of December 31, 2017 reduced to US$50.6 million due to the declaration and payment of dividends to the then sole shareholder of our Group in the amount of US$19.0 million.

Summary of consolidated statements of cash flows

	For the financial year ended December 31		
	2016	**2017**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*
Net cash generated from operating activities	8,073	8,518	3,682
Net cash used in investing activities	(5,643)	(11,497)	(533)
Net cash (used in)/generated from financing activities	(2,462)	4,955	(5,230)
Net (decrease)/increase in cash and cash equivalents	**(32)**	**1,976**	**(2,081)**
Cash and cash equivalents at beginning of year	**4,929**	**4,897**	**6,873**
Cash and cash equivalents at end of year	**4,897**	**6,873**	**4,792**

During the Track Record Period, our operating cash inflows were primarily derived from receipt of proceeds from our customers and our operating cash outflows mainly included payment for various expenses such as costs of inventories sold, staff costs, cost of food and beverages and other operating costs. Specifically, the fluctuation in net cash generated from our operating activities during the Track Record Period was due to (1) changes in the amounts due from and to intermediate holding company and related parties, and (2) increase in purchase of inventories due to the gradual expansion of our Luxury Travel Retail Sector. For details, see "Financial Information — Liquidity and Capital Resources — Cash Flow — Operating Activities". During the Track Record Period, we from time to time transferred funds to our intermediate holding company, which centralized the treasury function for certain entities of our Group operating in Saipan and Guam as part of our administrative and operating costs. Except as disclosed in "Continuing Connected Transactions", all related party balances and administrative arrangements between our related companies or intermediate holding companies and us will be settled and/or terminated before the Listing.

Key financial ratios

	For the financial year ended December 31		
	2016	**2017**	**2018**
Net profit margin *(%)*	15.3	14.7	11.8
Return on equity *(%)*	22.7	25.9	21.3
Return on total assets *(%)*	18.8	17.8	15.5
Current ratio *(times)*	1.9	1.2	1.6
Quick ratio (*times*)	1.6	0.9	1.2
Gearing ratio *(%)*(note)	—	9.9	—
Net debt to equity ratio *(%)*	N/A	Net cash	N/A

Note: Gearing ratio was calculated based on the total interest-bearing bank borrowings divided by total equity as of the end of the respective period and multiplied by 100%.

RISK FACTORS HIGHLIGHTS

The principal risk for a potential investment in the Offer Shares is losing all or part of your original investment. We also run a number of risks relating to our business, the leisure tourism market, the CNMI, Guam and the Global Offering.

As a leisure tourism group, we are subject to a number of political, macro-economical and other factors, such as changes to the entry requirement into the CNMI and Guam, cancellation or suspension of flights, traveler trends and preferences, political unrest, natural disasters, acts of terrorism and foreign exchange, all of which may affect travel sentiments and are beyond our control. Our Hotels & Resort Sector runs the risks of (1) not being able to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases, in which case we could lose a significant revenue source, (2) reliance on our reputation and awareness and sensitivity to reputational damage and adverse publicity, (3) reliance on a number of key sales agreements with tour operators, (4) growth of OTAs which enhances pricing visibility and intensifies competition, and (5) our asset rejuvenation plan, which may affect our occupancy level and ARR during periods of renovation and may not be able to achieve the operating and financial benefits that we envisage. Our Luxury Travel Retail Sector is reliant upon our ability to maintain and renew our franchise and distribution agreements, leased premises and geographical exclusivity and to expand our brand and merchandise offering. Our Destination Services Sector operates adventure tourism which have the inherent risks of physical safety, property damage and financial loss. Our business is also heavily concentrated on, and closely associated with the economic and political conditions in, the CNMI and Guam, the legal system of which potential investors may not be familiar with.

The above is not a complete list of risks that we are subject to. As different investors may have different interpretations and perception in determining the materiality of a risk, potential investors should carefully read the entire "Risk Factors" section before making a decision to invest in the Offer Shares.

SHAREHOLDER PROFILE

Immediately upon completion of the Capitalization Issue and Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), THC Leisure will hold 270,000,000 Shares (representing 75% of our enlarged issued share capital). THC Leisure is wholly-owned by Tan Holdings, which in turn is owned as to (1) 20% by Dr. Henry Tan, and (2) 39% by Leap Forward (an entity wholly-owned by a discretionary family trust of the Tan Family). Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward because they form the majority of Leap Forward's board of directors and the protectors of the said discretionary family trust. In addition, Chairman Tan and Dr. Henry Tan act in concert in respect of the affairs of our Group. Accordingly, Chairman Tan, Dr. Henry Tan, THC Leisure, Tan Holdings and Leap Forward together control over 30% of voting rights in our Company and will each be a Controlling Shareholder (within the meanings of the Listing Rules) of our Company upon Listing. Our business will, upon Listing, continue to be independent of, and separate from, the business of our Controlling Shareholders and their close associates.

We have conditionally adopted the Post-IPO Share Option Scheme. See "Appendix V — Statutory and General Information — F. Post-IPO Share Option Scheme" for a summary of the principal terms.

CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of our leisure tourism business in Saipan and Guam, we have entered into certain transactions with entities controlled and owned by the Tan Family and the private investments of its individual family members which will, upon Listing, become our connected persons within the meanings given under Chapter 14A of the Listing Rules. These continuing connection transactions include sales of rooms and various other travel products and services to QZ Tours, a deemed connected person of our Company under the Listing Rules, which accounted for on average 12.2% of our total revenue and was our largest customer (by revenue contribution) throughout the Track Record Period. Our Directors consider that we do not unduly rely on these continuing connected transactions as a whole. Throughout the Track Record Period and on an aggregated annual basis, the amounts paid or payable by us to our connected persons did not exceed 7% of our operating expenses, and the amounts received or receivable by us from our connected persons did not exceed 17% of our revenue. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Chapter 14A of the Listing Rules in respect of our non-exempt continuing connected transactions. See "Waiver" and "Continuing Connected Transactions" for details.

LEGAL COMPLIANCE

Our leisure tourism business, unlike some of our upstream peers such as airlines, is not heavily regulated in the CNMI and Guam. The material laws and regulations applicable to us are set out in "Laws, Regulations and Taxation". Our CNMI and Guam Legal Adviser has confirmed that we were not in material breach of any applicable laws and regulations of Guam or the CNMI, or any decree applicable to us of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over our business or any of our owned or leased property interests in the CNMI and Guam.

PROPERTY VALUATION

Savills Valuation and Professional Services (S) Pte Ltd, our independent Property Valuer, has valued some of our property interests held and occupied by us in Saipan and Guam, including the buildings and improvements of our hotels and resorts. The market value of our valued property interests as of January 31, 2019 was US$114.3 million in aggregate. The texts of our Property Valuer's letter, summary of values and valuation certificates are set out in "Appendix III — Property Valuation". Our Property Valuer has adopted the income method approach in valuing our hotels and resorts buildings and improvements and the direct comparison approach in valuing our staff quarters and self-owned land parcel. In valuing our property interests, unless otherwise stated in Appendix III to this Prospectus, our Property Valuer has assumed that transferable leasehold interests of the properties for their respective leasehold terms have been granted. Unless otherwise stated in Appendix III to this Prospectus, our Property Valuer has also assumed that we have good leasehold rights to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

RECENT DEVELOPMENT

We currently expect that our financial results for the financial year ending December 31, 2019 compared to that of the financial year ended December 31, 2018 will be negatively impacted by a one-off, non-recurring expense of around US$3.6 million in relation to the write-off of the existing leasehold improvements at *Fiesta Resort Guam* due to the commencement of our asset rejuvenation plan. Leasehold improvements to be written off are expected to be permanent fixtures which will be demolished before our asset rejuvenation plan, such as wall finish, carpet, furniture and bathroom facilities.

There will also be a one-off, non-recurring listing expenses of around US$1.0 million expected to be charged to our consolidated statements of comprehensive income, and a one-off, non-recurring capital expenditure of around US$1.7 million in relation to a new travel retail boutique launched in Saipan in April 2019 and another to be launched in Guam in mid to late 2019 for the year ending December 31, 2019. Both of them are under a French luxury fashion brand which we have commenced business relationship with in December 2018.

Save as disclosed above, our Directors have confirmed that from December 31, 2018, being the last date on which our audited accounts were made up to, up to the date of this Prospectus, there had been no material adverse change to our financial and trading position or prospects, and that there had been no material event that would affect the information contained in "Financial Information" and the Accountant's Report in Appendix I to this Prospectus.

OFFERING STATISTICS

	Based on minimum indicative Offer Price of HK$3.54 per Share	Based on maximum indicative Offer Price of HK$4.48 per Share
Market capitalization of our Shares (1)	HK$1,274.4 million	HK$1,612.8 million
Unaudited pro forma adjusted net tangible asset per Share (2)	HK$1.96	HK$2.20

Notes:

(1) The calculation of market capitalization is based on the 360,000,000 Shares expected to be in issue immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options).

(2) The unaudited pro forma adjusted net tangible asset per Share has been arrived at after adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and on the basis of 360,000,000 Shares in issue immediately upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options or any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate and Repurchase Mandate as described in "Share Capital").

FUTURE PLAN AND OUTLOOK

The outlook of the leisure tourism market in Saipan and Guam is generally positive. Between 2018 and 2022, tourists arrivals in Saipan and Guam are projected to grow on a CAGR basis at 5.1% and 2.2%, respectively, and the number of available airline seats into Saipan and Guam is expected to increase by 5.6% and 3.1%, respectively, on a CAGR basis. During the same periods, the hotels and resorts industry in Saipan and Guam is expected to show a stronger growth on a CAGR basis at 10.2% and 10.1%, respectively.

We intend to invest in the long-term development of our hotels and resorts with a US$56.7 million asset rejuvenation plan to overhaul the accommodation and service offering of our *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam*. The principal objectives of our asset rejuvenation plan, which was devised by us along with an international architectural and hospitality consultant, are to strengthen our room rate commanding power and achieve stronger yield growth, riding on the global tourist preferences for premium holiday experiences. According to our Industry Consultant, asset quality, including but not limited to room age, contemporary decoration, extent of hospitality offering, maintenance standard and service level, is by far the primary factor when leisure travelers select their holiday accommodation, particularly more so in small tropical getaways such as Saipan and Guam where tourism facilities and attractions are fairly clustered within walking distance and locations and other ancillary factors play a less important role. We expect that our asset rejuvenation plan will lift us from the more competitive mid-market segment (with around 10 peers in Saipan in 2017) towards the more attractive up-market segment, which has limited competition in Saipan (2 peers). Subject always to market conditions, we currently estimate that our rejuvenated hotels and resorts will be able to command an ARR of around US$180, which will be within the up-market segment in Saipan and Guam.

Our asset rejuvenation plan coincides with the market conditions and competitive landscape in Saipan and Guam. The hotels and resorts industry in Saipan is characterized with regional players (such as ourselves) having a strong position against significant under-representation of international chained operators. Between 2018 and 2022, tourist arrivals in Saipan are projected to outpace the development of additional accommodation capacity on the island. Coupled with rising tourism expenditure in key tourist origin markets like China, South Korea and Japan, increasing flight connections as well as global tourist spending pattern, the hotels and resorts industry in Saipan is set to experience an over-demand and a growth in market rates. We believe that our asset rejuvenation plan will position us well against these favorable industry backdrops. In Guam, our asset rejuvenation plan will also strengthen our competitive edge against the presence of a number of international branded market peers which constantly gives us pricing pressure.

From an operational perspective, our asset rejuvenation plan is essential for us to achieve sustainable financial growth, given that (1) our hotels and resorts operated close to full capacity at 90.9% during the financial year ended December 31, 2018, (2) they are of relatively higher room age: 75.3% of our rooms were of 5 years of age or above and 68.0% of our rooms were 10 years old or above as of the Latest Practicable Date, and (3) our relatively “dated” asset quality has impaired our ability to command higher room rates, as demonstrated by our RGI which was generally below 1 during the Track Record Period with the exception of *Fiesta Resort Saipan*. To achieve financial growth, we must be able to command higher room rates with upgraded accommodation and service offering.

The asset rejuvenation plan, and hence future growth, of our *Fiesta Resort Saipan* and *Kanoa Resort* will be contingent upon the successful renewal of the underlying land lease. We will not commence the asset rejuvenation plan of our *Kanoa Resort* until we have secured its land lease renewal. Our asset rejuvenation plan is also an important bargaining point for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases given that commitment to “improvements and upgrades” is one of the renewal conditions prescribed in PL 20-84.

LISTING AND USE OF PROCEEDS

The Listing and Global Offering will be a key milestone of our Group and, despite the listing expenses involved, give us access to the necessary financial resources to implement our asset rejuvenation plan and unlock the potentials of our Hotels & Resorts Sector. Our asset rejuvenation plan is capital-intensive. Notwithstanding our cash and cash equivalent balance of US$4.8 million as of December 31, 2018, stable operating cash flow and *nil* gearing ratio, it is appropriate to partially fund our asset rejuvenation plan (around 52.1%) with net proceeds from the Global Offering and the rest of the capital expenditure (around 47.9%) with internal resources and external financing. The Listing will also enhance the market visibility and awareness of our leisure tourism business and open up long-term development opportunities with our listing status on the Stock Exchange. We also consider that Hong Kong is a strategic listing venue of choice that is in line with our business profile, market awareness and potential investor base in the Greater China Region and Asia and offers us better access to capital and future fund raising opportunities. See "Future Plans and Use of Proceeds — Reasons for the Listing" for details.

Assuming (1) an Offer Price of HK$4.01 per Share, being the mid-point of the indicative Offer Price range of HK$3.54 to HK$4.48 per Share, and (2) that the Over-Allotment Option is not exercised, the net proceeds from the Global Offering are estimated to be around HK$309.9 million (equivalent to US$39.5 million) after deducting underwriting commission, incentive fees and other expenses payable by us in connection with the Listing. In line with our business strategies, we intend to use our net proceeds for the following purposes:-

— ***Asset rejuvenation plan.*** Around **75%** of our net proceeds, or HK$232.4 million (equivalent to US$29.6 million), will be used to implement our asset rejuvenation plan on *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam.*

— ***New travel retail boutiques.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used as capital expenditure and operating costs to launch new travel retail boutiques and expand our brand and merchandise portfolio. We launched 1 new boutique in Saipan in April 2019 and have current plans to launch 1 new boutique in Guam in mid to late 2019 under a French luxury brand which we commenced business relationship with in December 2018.

— ***IT upgrade.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used to implement a new reservation system, purchase new data servers and launch a new online direct booking interface, which would strengthen our sales and pricing management capability through various online booking channels.

— ***Digital sales and marketing.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used for our enhanced digital sales and marketing initiatives to strengthen our online presence among leisure traveler communities particularly in China and South Korea.

— ***General working capital.*** Around **10%** of our net proceeds, or HK$31.0 million (equivalent to US$3.9 million), will be used as working capital and for general corporate purpose.

LISTING EXPENSES

Listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and are estimated to be around US$6.0 million. During the Track Record Period, we charged US$2.5 million to our consolidated statements of comprehensive income. We expect to further incur additional listing expenses of around US$3.5 million until the completion of the Global Offering, of which around US$1.0 million is expected to be charged as expenses, and around US$2.5 million is expected to be deducted from equity.

DIVIDENDS

For the 3 financial years ended December 31, 2018, dividends declared and paid by our Group to our then shareholder(s) were US$7.5 million, US$19.0 million and US$7.6 million, respectively. We do not have a fixed dividend payout ratio. The declaration of dividends is subject to the discretion of our Board, and any declaration of final dividend for the year will be subject to the approval of our Shareholders after the Listing. Our Directors may recommend a payment of dividend in the future after taking into account, among other things, our general financial condition, actual and future operations and liquidity positions, future cash requirements and availability, any restrictions on payment of dividends that may be imposed by our lenders, general market condition, our future development and any other factor that our Board deems appropriate. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Islands Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. No tax is payable or withheld on (if any) dividends or other distributions declared and paid by our Company. Potential investors should however note that our CNMI and Guam incorporated entities are required to withhold a 30% income tax on dividends and other distributions to our Company and intermediate holding entities.

In this Prospectus, unless the context otherwise requires, the following words and expressions shall have the meanings set out adjacent to them.

"Accountant's Report"	the accountant's report on our Group for the 3 financial years ended December 31, 2018 issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus
"APHI Guam"	Asia Pacific Hotels, Inc. (Guam), a corporation incorporated on April 29, 2002 in Guam with limited liability. APHI Guam is an indirectly wholly-owned subsidiary of our Company
"APHI Saipan"	Asia Pacific Hotels, Inc., a corporation incorporated on November 19, 1997 in the CNMI with limited liability. APHI Saipan is an indirectly wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering
"ARR" or "average room rate"	a performance metric used in the hotels and resorts industry that is calculated by dividing total room revenue by rooms sold
"Articles" or "Articles of Association"	the articles of association of our Company adopted on April 9, 2019 which will take effect from the Listing Date, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Bahamas"	the Commonwealth of Bahamas
"budget market"	in the context of the hotels and resorts industry in Saipan, an accommodation facility with an average room rate of around US$80 or below, according to the Industry Report
"Business Day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open generally for normal banking business to the public
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the capitalization of an amount of HK$2,699,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full 269,999,999 Shares for allotment and issue to our Shareholder(s) as resolved by our sole Shareholder on April 9, 2019
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Century Tours"	Century Tours Inc., a corporation incorporated on October 23, 2012 in the CNMI with limited liability. Century Tours is an indirectly wholly-owned subsidiary of our Company
"Chairman Tan"	Dr. TAN Siu Lin, SBS (陳守仁博士), a Non-Executive Director, Chairman of our Board and a Controlling Shareholder
"China" or "PRC"	the People's Republic of China which, for the purpose of this Prospectus only, excludes Hong Kong, Taiwan and Macau
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"CNMI"	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
"CNMI and Guam Legal Adviser"	Blair Sterling Johnson & Martinez, P. C., our legal adviser as to the laws of the CNMI and Guam
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	S.A.I. Leisure Group Company Limited 海天地悅旅集團有限公司, the holding company of our Group upon completion of our Reorganization and the proposed vehicle of the Listing, which is an exempted company incorporated on October 18, 2018 in the Cayman Islands with limited liability
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, for the purpose of this Prospectus, refers to Chairman Tan, Dr. Henry Tan, THC Leisure, Tan Holdings and Leap Forward
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cornerstone Investment Agreement"	the cornerstone investment dated April 25, 2019 entered into by our Company, the Cornerstone Investor, KWOK Siu Ming, the Joint Global Coordinators and the Sole Sponsor, pursuant to which the Cornerstone Investor agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for an aggregate amount of US$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price
"Cornerstone Investor"	Sunrise Height Incorporated, a limited liability company incorporated in the BVI on April 22, 1997, which is owned as to 50% by Dr. KWOK Siu Ming, SBS, JP and as to 50% by Dr. KWOK LAW Kwai Chun Eleanor, BBS, JP. The Cornerstone Investor is a controlling shareholder of Sa Sa International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 0178)
"Cornerstone Placing"	the conditional placing of such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) at the Offer Price which may be purchased with an aggregate amount of US$5.0 million, excluding brokerage, SFC transaction levy and Stock Exchange trading fee, pursuant to the Cornerstone Investment agreement, which will form part of the International Offering. The Cornerstone Placing is further described in "Cornerstone Investor"
"Corporate Governance Code"	the provisions set out under "Corporate Governance Code and Corporate Governance Report" in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"Deed of AIC Confirmation"	the deed of confirmation dated November 5, 2018 executed by Chairman Tan and Dr. Henry Tan, whereby they confirmed the existence of their acting in concert arrangements. A summary of the Deed of AIC Confirmation is set out in "Relationship with our Controlling Shareholders — Background of our Controlling Shareholders — Controlling Shareholders Acting in Concert"
"Deed of Indemnity"	the deed of indemnity dated April 9, 2019 executed by Chairman Tan, Dr. Henry Tan and our Company, particulars of which are set out in "Appendix V - Statutory and General Information — G. Other Information — 12. Taxation of Holders of our Shares"
"Destination Services Sector"	our business segment which involves the operation of our *SeaTouch*, *Let's Go Tour* and *Jetovator* excursion tours, *iShop* souvenir and amenity stores and the provision of destination-based concierge and travel management services

"Director(s)"	director(s) of our Company
"Dr. Henry Tan"	Dr. TAN Henry, BBS, JP (陳亨利博士), an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder
"exclusive"	in the context of our Luxury Travel Retail Sector, means that we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii. "*Exclusivity*" shall be construed accordingly
"Executive Director(s)"	executive Director(s) of our Company
"Financial Eagle"	Financial Eagle Ventures Limited, a company incorporated on January 22, 2014 in the BVI with limited liability. Financial Eagle is a 15% shareholder of Tan Holdings, a Controlling Shareholder
"Gemkell Guam"	Gemkell Corporation, a corporation incorporated on January 26, 2004 in Guam with limited liability. Gemkell Guam is owned as to 75% indirectly by our Company and as to 25% by Mr. Hawes (our core connected person), and is treated as our subsidiary both in our financial statements and for the purpose of the Listing Rules
"Gemkell Hawaii"	Gemkell U.S.A. LLC, a limited liability company organized in Hawaii on February 20, 2018. Gemkell Hawaii is an indirectly wholly-owned subsidiary of our Company
"Gemkell Saipan"	Gemkell (Saipan) Corporation, a corporation incorporated on June 10, 2016 in the CNMI with limited liability. Gemkell Saipan is owned as to 75% indirectly by our Company and as to 25% by Mr. Hawes (our core connected person), and is treated as our subsidiary both in our financial statements and for the purpose of the Listing Rules
"Global Offering"	the Hong Kong Public Offering and the International Offering
*"**GREEN** application form(s)"*	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Group", "we" or "us"	our Company and its subsidiaries and, where the context requires, in respect to the period prior to our Group becoming the holder of our business and operations, our predecessor holding entity(ies) and such business and operations
"Guam"	Guam, a U.S. territory located in the Western Pacific Region
"Hawaii"	the State of Hawaii, U.S.
*"**HK eIPO White Form**"*	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **HK eIPO White Form** Service Provider at **www.hkeipo.hk**

*"**HK eIPO White Form** Service Provider"*	the **HK eIPO White Form** Service Provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$", "HKD" or "HK Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Branch Register"	the branch register of members of our Shares maintained by our Hong Kong Branch Share Registrar in Hong Kong
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited, our share registrar and transfer office in Hong Kong
"Hong Kong Offer Shares"	the 9,000,000 new Shares initially being offered by our Company for subscription under the Hong Kong Public Offering at the Offer Price, subject to any adjustment or re-allocation as described in "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this Prospectus and the Application Forms, as further described in "Structure of the Global Offering — Hong Kong Public Offering"
"Hong Kong Underwriter(s)"	the underwriter(s) for the Hong Kong Public Offering as listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated Monday, April 29, 2019 relating to the Hong Kong Public Offering entered into by our Company, our Executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, particulars of which are set out in "Underwriting"
"Hotels & Resorts Sector"	our business segment which involves the operation of our *Fiesta Resort Saipan*, *Kanoa Resort*, *Century Hotel* and *Fiesta Resort Guam* and related food and beverage, meetings, banquet and other hospitality services

"Independent Non-Executive Director(s)"	independent non-executive Director(s) of our Company
"independent third part(ies)"	any entity or person who is not a connected person within the meaning ascribed under the Listing Rules. "*independent*" and "*third party*" shall be construed accordingly
"Industry Consultant" or "Frost & Sullivan"	Frost & Sullivan Limited, an independent market research and consulting company
"Industry Report" or "Frost & Sullivan Report"	an independent market research report on the leisure tourism industry in Saipan and Guam commissioned by our Company and prepared by our Industry Consultant for the purpose of this Prospectus
"International Offer Shares"	the 81,000,000 new Shares initially being offered by our Company for subscription at the Offer Price under the International Offering, subject to any adjustment or re-allocation together with, where relevant, any additional Shares which may be issued by our Company pursuant to the Over-Allotment Option, as further described in "Structure of the Global Offering"
"International Offering"	the conditional placing of the International Offer Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in "Structure of the Global Offering — International Offering"
"International Underwriter(s)"	the several underwriter(s) for the International Offering who are expected to enter into the International Underwriting Agreement to underwrite the International Offer Shares
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date relating to the International Offering by our Company, our Executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters, particulars of which are set out in "Underwriting"
"Issuing Mandate"	the general unconditional mandate given to our Directors by our sole Shareholder relating to the issue of Shares, as further described in "Appendix V — Statutory and General Information — A. Further Information about our Group — 5. Written Resolutions of our sole Shareholder dated April 9, 2019"
"IT"	information technology
"JK Marine"	J&K Marine Sports, Inc., a corporation incorporated on November 2, 2000 in the CNMI with limited liability. JK Marine is an indirectly wholly-owned subsidiary of our Company

"Joint Global Coordinators" or "Joint Bookrunners" or "Joint Lead Managers"	BOCOM International Securities Limited, China Everbright Securities (HK) Limited and Haitong International Securities Company Limited, the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering, or any one of them
"Latest Practicable Date"	Tuesday, April 23, 2019, being the latest practicable date for ascertaining certain information in this Prospectus before its publication
"Leap Forward"	Leap Forward Limited, a company incorporated in the Bahamas on September 17, 2010 with limited liability. Leap Forward is a 39% shareholder of Tan Holdings and is a Controlling Shareholder. It is controlled by Chairman Tan and Dr. Henry Tan.
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be Thursday, May 16, 2019, on which the Shares are listed and from which dealings in the Shares are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Luxury Travel Retail Sector"	our business segment that involves the operation of our retail boutiques under luxury and leisure clothing, leather goods and fashion accessory brands in Saipan, Guam and Hawaii
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
"Memorandum of Association"	the memorandum of association of our Company adopted on April 9, 2019, as amended, supplemented or otherwise modified from time to time
"mid-market"	in the context of the hotels and resorts industry in Saipan, an accommodation facility with an average room rate within the region of US$80 to US$170, according to the Industry Report
"Mr. Chiu"	Mr. CHIU George (also known as 趙明傑先生), an Executive Director and a member of the Tan Family
"Mr. Hawes"	Mr. Richard Mark HAWES, a 25% shareholder of each of Gemkell Guam and Gemkell Saipan (our subsidiaries). Mr. Hawes is a core connected person of our Company under the Listing Rules only by virtue of his interests, directorship and as a manager at subsidiary level

"Mr. Jerry Tan"	Mr. TAN Jerry Cho Yee (陳祖儀先生), a member of our senior management and a member of the Tan Family
"Mr. Willie Tan"	Mr. TAN Willie (陳偉利先生), a Non-Executive Director and a member of the Tan Family
"Mrs. Su Tan"	Mrs. SU TAN Jennifer Sze Tink (蘇陳詩婷女士), an Executive Director and a member of the Tan Family
"Nomination Committee"	the nomination committee of our Board
"Non-Executive Director(s)"	the non-executive director(s) of our Company
"occupancy rate"	a performance metric used in the hotels and resorts industry that is calculated by dividing total number of rooms occupied by total number of rooms available
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, as further described in "Structure of the Global Offering — Price Determination of the Global Offering"
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-Allotment Option
"OTA(s)"	online travel agent(s), such as booking.com, Expedia, hotels.com and Ctrip, which sells and markets their travel products and services through online channels. According to our Industry Consultant, global leisure travelers are growingly inclined to use online booking channels to plan, organize and purchase their holidays
"Over-Allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to the International Underwriting Agreement, for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 13,500,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Offering, if any, as further described in "Structure of the Global Offering — Over-Allotment Option and Stabilization"
"Post-IPO Share Option Scheme"	the post-IPO share option scheme conditionally adopted by our sole Shareholder on April 9, 2019 for the benefits of our Directors, members of senior management, employees and other eligible participants, a summary of the principal terms of which is set out in "Appendix V — Statutory and General Information — F. Post-IPO Share Option Scheme"

"Post-IPO Share Options"	options granted under the Post-IPO Share Option Scheme
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Wednesday, May 8, 2019, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Tuesday, May 14, 2019
"Principal Share Register"	the principal share register of members of our Company maintained by our Principal Share Registrar in the Cayman Islands
"Principal Share Registrar"	Conyers Trust Company (Cayman) Limited
"Property Valuer" or "Savills"	Savills Valuation and Professional Services (S) Pte Ltd, an independent valuer
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"QZ Framework Agreement"	the framework agreement entered into on April 9, 2019 between our Group and QZ Tours governing the sales of our tourism products and services to QZ Tours, which will constitute continuing connected transactions of our Group upon Listing. Further details of the QZ Framework Agreement is set out in "Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — Transactions subject to Shareholder's Approval — (a) Holiday Packages"
"QZ Tours"	Quanzhou Century Tour Investment Co., Ltd* (泉州市世紀旅遊投資有限公司), a company established in China on August 30, 2012 with limited liability, which is owned as to 99% by Mr. ZHOU Xindong (周新東先生), a deemed connected person of our Company, and as to 1% by Ms. ZHENG Zhifang (鄭志芳女士), an independent third party. QZ Tours is a deemed connected person of our Company under the Listing Rules. In the context of this Prospectus, "*QZ Tours*" is used together with its subsidiaries and branches
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the reorganization implemented by our Group in preparation for the Listing, details of which are set out in "History and Development — Reorganization"

"Repurchase Mandate"	the general unconditional mandate given to our Directors by our sole Shareholder relating to the repurchase of Shares, as further described in "Appendix V — Statutory and General Information — A. Further Information about our Group — 5. Written Resolutions of our sole Shareholder dated April 9, 2019"
"RevPAR" or "revenue per available room"	a performance metric used in the hotels and resorts industry that is calculated by multiplying the average room revenue by the occupancy rate
"RGI" or "revenue generation index"	a performance metric used in the hotels and resorts industry that is calculated by dividing RevPAR of the relevant hotel or resort by the average RevPAR of its main peers obtained from industry associations and our Industry Consultant. A hotel with a RGI larger than 1 means that its RevPAR outperforms the average market RevPAR, and vice versa
"S.A.I. CNMI Holdings"	S.A.I. CNMI Holdings Limited, a company incorporated on October 18, 2018 in the BVI with limited liability. S.A.I. CNMI Holdings is a directly wholly-owned subsidiary of our Company
"S.A.I. CNMI Tourism"	S.A.I. CNMI Tourism Inc., a corporation incorporated on November 9, 2018 in the CNMI with limited liability. S.A.I. CNMI Tourism is an indirectly wholly-owned subsidiary of our Company
"S.A.I. Guam Holdings"	S.A.I. Guam Holdings Limited, a company incorporated on October 18, 2018 in the BVI with limited liability. S.A.I. Guam Holdings is a directly wholly-owned subsidiary of our Company
"S.A.I. Guam Tourism"	S.A.I. Guam Tourism Inc., a corporation incorporated in October 24, 2018 in Guam with limited liability. S.A.I. Guam Tourism is an indirectly wholly-owned subsidiary of our Company
"Saipan"	Saipan, the largest and most populated island in the CNMI
"Saipan Adventures"	Saipan Adventures, Inc., a corporation incorporated in the CNMI on September 24, 2013 with limited liability. Saipan Adventures is an indirectly wholly-owned subsidiary of our Company
"Sea Touch"	Sea-Touch, LLC, a limited liability company organized in the CNMI on October 3, 2013. Sea Touch is an indirectly wholly-owned subsidiary of our Company
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)

"Sole Sponsor"	BOCOM International (Asia) Limited, a licensed corporation registered under the SFO to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) of regulated activities as defined in the SFO, being the sole sponsor to the Listing
"South Korea"	the Republic of Korea
"Stabilizing Manager"	BOCOM International Securities Limited
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between the Stabilizing Manager and THC Leisure, pursuant to which the Stabilizing Manager may borrow up to 13,500,000 Shares to cover any over-allocation in the International Offering
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tan Family"	Chairman Tan, Dr. Henry Tan and their family members
"Tan Holdings"	Tan Holdings Corporation, a corporation incorporated on October 29, 1991 in the CNMI with limited liability. Tan Holdings holds the entire issued share capital of THC Leisure and is a Controlling Shareholder. It is controlled by Chairman Tan and Dr. Henry Tan
"Tax Adviser"	Arnett Consulting, LLC, our CNMI and Guam tax adviser
"THC Leisure"	THC Leisure Holdings Limited, a company incorporated on October 18, 2018 in the BVI with limited liability. THC Leisure is the sole Shareholder of our Company and is a Controlling Shareholder
"tour operator(s)"	downstream market player(s) in the leisure tourism industry which contracts, books and packages various holiday components and on-sells them either directly to the travelers or through other tour operators and travel agents. In the context of our business, the tour operators usually enter into annual sales agreements with us which give them the right to reserve in bulk our rooms and other products and services at static pricing. They are accounted for as our customers in our financial statements
"Track Record Period"	the 3 financial years ended December 31, 2018

"travel agent(s)"	downstream market player(s) in the leisure tourism industry which sources, sells and advertises various travel components to end travelers. In the context of our business, travel agents usually reserve our rooms and other products and services as individual components. Depending on pricing and payment policy, either travel agents or end-travelers are accounted for as our customers in our financial statements
"TTA(s)"	traditional travel agent(s) which sells and markets their travel products and services through physical retail space. TTAs are accounted for as our customers in our financial statements
"Underwriter(s)"	the Hong Kong Underwriters and the International Underwriters, or any one of them
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement, or any one of them
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"up-market"	in the context of the hotels and resorts industry in Saipan, an accommodation facility with an average room rate of US$170 or above, according to the Industry Report
"U.S. Securities Act"	U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$", "U.S. Dollars" or "USD"	United States dollars, the lawful currency of the United States
"Western Pacific Region"	a sub region of the Oceania continent, spanning across thousands of small islands in the western Pacific Ocean. For the purpose of this Prospectus, the Western Pacific Region comprises Guam, the CNMI, the Republic of Palau, the Federated States of Micronesia and the Republic of Marshall Islands
*"**WHITE** Application Form(s)"*	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
*"**YELLOW** Application Form(s)"*	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

In this Prospectus:-

1. Unless otherwise stated, certain amounts denominated in US$ have been translated into HK$ at an exchange rate of US$1 = HK$7.8489, for illustration purpose only. Such conversions shall not be construed as representations that amounts in HK$ and/or US$ were or could have been or could be converted into HK$ at such rates or any other exchange rates on such date or any other date.

2. The English titles marked with "*" are unofficial English translations of the titles of natural persons, legal persons or entities, governmental authorities, institutions, laws, rules, regulations and other entities for which no official English translation exists. These titles are for identification purpose only.

3. We use certain technical terms that are relevant to our business and the industry we operate in. These terms and their meanings set out above may not always correspond to standard industry meaning or usage of these terms.

4. Unless expressly stated or otherwise required by the context, all data are as of the Latest Practicable Date.

5. Unless otherwise specified, all references to any shareholding in our Company assume no exercise of the Over-Allotment Option and does not take into account any Shares to be issued upon exercise of the Post-IPO Share Options.

6. Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES.

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in "Summary and Highlights", "Risk Factors", "Future Plans and Use of Proceeds", "Industry Overview", "Business" and "Financial Information". These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors", which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

— our business prospects, strategies, plans, objectives and goals;

— the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;

— the business opportunities that we may pursue;

— our dividend policy;

— the amount and nature of, and potential for, future development of our business; and

— certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:-

— our ability to achieve growth of existing businesses and expansion of operations through investments in assets;

— our ability to integrate acquired businesses and create synergies;

— changes in the governmental policies, laws or regulations of the relevant jurisdictions in which we or our customers operate in;

— our ability to attract and retain customers;

— our ability to attract and retain qualified employees and key personnel;

— our ability to protect our establishments, trademarks or other intellectual property rights;

— successfully keeping up with technological improvements;

— global general economic, market and business conditions; and

— the other risk factors discussed in this Prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, potential investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in "Risk Factors".

PRINCIPAL RISKS FOR INVESTING IN THE OFFER SHARES

The principal risk for a potential investment in the Offer Shares is that you may not be able to get back some or all of your original investments or you may not receive the returns you expected. This could happen for a number of reasons, for example if:-

— the price at which you are able to sell your Shares is less than the price you paid for them,

— you are unable to sell your Shares at all, for instance because there are not enough buyers in the market,

— we do not pay dividends to the expected level, or at all, as our profits can be variable and this can adversely affect the amount of dividends paid,

— our operational and financial performance is worse than expected, or

— we become insolvent and are placed in receivership or liquidation.

The key risks specific to our business and other general market risks are set out below. These risks, were they to occur, could have a material adverse effect on our financial position or performance through reduced revenue, increased costs, reduced cash-flow, loss of customers, damage to reputation or a combination of these.

Potential investors should consider such risk factors together with other information set out in this Prospectus. The risk factors set out below may not be the only ones faced by us. There may be additional risk factors of which we are currently unaware or that we currently deem not material but which may subsequently become key risk factors for our business.

RISKS ASSOCIATED WITH OUR LEISURE TOURISM BUSINESS

Our business and results of operations depend on the number of customers we are able to attract, which are subject to certain political, macro-economic and other factors common to the leisure tourism industry.

We are one of the leading leisure tourism groups in Saipan and Guam. Our business is particularly sensitive to the general macro-economic and political environment, which has affected and could affect levels of discretionary leisure tourism and tourist spending. In particular, the number of tourists traveling and the amount they spend on holidays could decrease if disposable income reduces, sales taxes or value-added taxes increase, unemployment rate increases, transport and fuel costs increase, or the spending habits of tourists change in response to uncertain economic conditions.

During the Track Record Period, we generated all of our revenue from our Hotels & Resorts, Luxury Travel Retail and Destination Services Sectors. A significant downturn in revenue as a result of a decreased number of guests and visitors to our tourism operations may have a material adverse effect on our ability to service our total operating costs and our ability to satisfy the capital expenditure required for our future growth. A significant deterioration or sustained decline in economic conditions could reduce consumer spending on our tourism products and services, and could result in a decrease in occupancy rate and number of guests, which would have a material adverse effect on our business, financial conditions and results of operations.

We are subject to a number of macro-economic and other factors that could adversely affect our leisure tourism business in Saipan and Guam, many of which are common to the leisure tourism industry in general and beyond our control. We believe that the most significant factors are as follows:-

— termination of, or change to, existing entry requirements in the CNMI and/or Guam for tourists from our key origin markets such as China, South Korea and Japan, which may lead to a significant decline in the tourism demand for Saipan and/or Guam and may translate into a decline in the demand for our tourism products and services. In particular, the CNMI currently relies on a conditional parole program to allow visa-free entry of Chinese and Russian tourists, and both Guam and the CNMI operate a visa-waiver program for, among others, Japanese, South Korean and Hong Kong tourists. Any changes to or termination of these programs will have a material adverse impact on tourists arrivals from the relevant origins,

— statements, actions, or interventions by governmental officials which may diminish the demand for leisure and business travel in countries in which we operate,

— impediments to means of transportation (including without limitation to, cancellation of direct flights or chartered flights, adverse changes of flight schedules, airline strikes and road closures), extreme weather conditions, natural disasters, rising fuel costs, impact of acts of war or terrorism, outbreaks of pandemic or contagious diseases and health concerns (such as Ebola, mad cow disease and the Avian flu) or other factors that may affect travel patterns and reduce the number of leisure travelers into Saipan and Guam,

— adverse effects of economic, political and market conditions, particularly in our home base in Saipan and Guam as well as our key tourist origin markets such as China, South Korea and Japan, examples of which include the recent threats of the Sino US trade war as well as the conflicts between the U.S. and the Democratic People's Republic of Korea, which may lead to a decline in consumer confidence, increased levels of unemployment and decreased leisure travel, and hence could adversely impact the demand for our tourism products and services,

— further emergence of long-stay apartment hotels or "sharing economy" platforms, such as Airbnb, that may reduce the demand for our hotel and resort accommodation,

— appreciation of U.S. dollars, which will lead to lower levels of international travelers visiting Saipan and Guam (due to the relative increase in the cost of traveling in Saipan and Guam),

These events, or a combination of these events, could result in a material adverse impact on our future operating and financial performance and the value of an investment in the Offer Shares. The events set out above are not all the risks we face. Potential investors should carefully read the entire "Risk Factors" section.

Certain economic and other developments in the places of residence of travelers may also affect the leisure tourism market in Saipan and/or Guam and our leisure tourism business. During the Track Record Period, our key markets of tourist origin were China, South Korea and Japan, in line with the tourist arrival mix in Saipan and/or Guam. There is a risk that a significant downturn, economic collapse or other general economic (or political) events in these foreign markets could significantly reduce the level of international travel to Saipan and/or Guam and potentially adversely affect our future growth prospects. Some markets may be affected by these developments more than others due to various market-specific characteristics, such as the overall economy slowdown in Japan over the recent years, which has led to a negative growth of Japanese tourist expenditure in Saipan on a CAGR basis at 22.3% between 2013 to 2017.

Substantially all of our revenue are derived from Saipan and Guam.

Our leisure tourism business is based in Saipan and, to a lesser extent, Guam, where substantially all of our tourism operations and activities are located. During the Track Record Period, we generated on average 61.1% and 36.8% of our revenue in Saipan and Guam, respectively. We expect that we will continue to rely on our operations in Saipan and Guam for a very substantial proportion of our revenue in the near future. The concentration of our leisure tourism operations and activities in Saipan and Guam, or a future concentration in other limited markets, exposes us to risks of adverse economic and other developments that will have greater impact than if the footprints of our tourism operations and activities were more geographically diverse. Such developments may include regional economic downturns, significantly increased supply of hotel and resort rooms, significantly increased competition, material property rent increases and higher local property, sales and income taxes in the CNMI and Guam. Similarly, the impact of any of these factors could have a material adverse effect on our leisure tourism operations, business, results of operations and financial conditions.

Any disruption to the schedule and/or any increase in price of flights to and from Saipan and/or Guam could adversely affect our business, results of operations and financial conditions.

Our business depends on the number of tourist arrivals in Saipan and Guam, which in turn is highly reliant on the schedule and price of the flights to and from Saipan and/or Guam. These flights could be regular flights or chartered flights. We do not maintain any contracts with airlines and we do not have any control over their business decision on flight operations and pricing. In particular, suspension of, or reduction in frequency of, direct flights from a key tourist origin market such as China, South Korea and Japan could significantly reduce the number of tourist arrivals from these markets.

Suspension or cancellation of regular flights may be announced with several weeks of notice or immediately if we encounter adverse weather conditions or other incidents, and the cancellation of chartered flights are at the entire discretion of the airlines with or without notice. If such suspension or cancellation occurs, the number of tourist arrivals will decrease and our results of operations and the competition in the leisure tourism market in Saipan and Guam might intensify, which could in turn lead to an unfavorable market environment for our operations across different business sectors.

Further, our operations are also inter-dependent with airfare and other expenses which may affect the costs of travel in Saipan and/or Guam. These costs are primarily driven by market forces and are beyond our control. Significant increase in airfare and other costs of travel in Saipan and/or Guam may reduce the demand for our tourism products and services, which in turn may materially and adversely affect our business, results of operations and financial conditions.

Changes in the tastes and preferences of leisure travelers may affect the demand for our tourism products and services, and we may not be able to timely adapt ourselves to traveler preferences and spending habits or at all.

Tastes and preferences of leisure travelers are important to our operations as a leisure tourism group focusing on the Saipan and Guam markets. The continuous development in our tourism product and service offering across our business sectors is dependent upon our ability to offer accommodation, shopping experiences, activities and services that cater to the prevailing preferences and spending habits of leisure travelers, which may be difficult to predict or adapt to and are beyond our control. Failure to timely adapt ourselves to traveler trends and develop or maintain a suitable offering could result in deterioration in our results of operations and financial conditions.

In particular, we intend to utilize 75% of the net proceeds from the Global Offering to implement our asset rejuvenation plan to refresh the accommodation and service offering of *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam* and further align their appeal with global tourist trends, in particularly their growing preference for holiday experiences, which may change from time to time and are not within our control. If, upon completion of our asset rejuvenation plan, our upgraded hotels and resorts do not coincide with the then prevailing traveler trends and preferences, we may not be able to recuperate our capital expenditure and our business, results of operations and financial conditions may be materially and adversely affected.

We cannot assure you that we will continue to be successful in identifying key traveler trends and to cater to travelers' preferences in timely manner or at all. If our tourism products and services fail to appeal to future leisure travelers in Saipan and Guam, we may not be able to recover our capital expenditure or our total operating costs, and our business prospects, results of operations and financial conditions could materially decline.

A. Risks specific to our Hotels & Resorts Sector

We may not be able to renew the land leases underlying our hotels and resorts, in which case we will lose a significant portion of our source of revenue.

Our hotels and resorts are operated on leased land parcels. If we fail to renew any of these land leases upon expiry, we will lose the right to operate the relevant hotels and resorts and lose a significant portion of our source of revenue.

In particular, the land lease underlying *Fiesta Resort Saipan* will expire on June 30, 2021. This land lease was signed with the local government and its renewal will be subject to discussion and negotiation with the administration and the internal approval procedures which can be long and complicated. It is also possible that the local government may impose additional conditions and terms which may be against our commercial interests. For example, the government may elect to renew the land lease on a shorter term or at an onerous rental level. There is no assurance that our *Fiesta Resort Saipan* land lease will be renewed on commercially viable terms, or in a timely manner, or at all.

For the 3 financial years ended December 31, 2018, our *Fiesta Resort Saipan* contributed to 38.3%, 37.2% and 32.5%, respectively, of our total revenue. If we fail to renew the land lease underlying *Fiesta Resort Saipan*, we will lose a significant revenue stream and our business prospects, results of operations and financial conditions could materially decline. Upon expiry of the underlying land lease, we are required to return to the land owner the hotels and resorts buildings and improvements in which we have invested significant capital expenditure over the years.

Our future growth and development will be contingent upon the successful renewal of our *Fiesta Resort Saipan* land lease. Any failure would affect our ability to implement and achieve the expected benefits of our asset rejuvenation plan, in which case our future growth prospects, results of operations and financial conditions could significantly decline.

The underlying land lease of *Kanoa Resort* will expire in over 5-years' time on June 30, 2024. Failure to renew our *Kanoa Resort* land lease before it expiry date will subject us to the same risks above. We will not commence our asset rejuvenation plan on *Fiesta Resort Saipan* and *Kanoa Resort* until we have secured their respective land lease renewal. If we are unable to secure land lease renewal prior to the expected commencement dates of our asset rejuvenation plan on *Fiesta Resort Saipan* and *Kanoa Resort*, we might have to delay our asset rejuvenation plan, in which case our short-term room for financial growth may be limited during periods of delay and we will not be able to actualize the potential operating and financial benefits in the manner and timeline which we currently contemplate.

The renewal of the land leases underlying Fiesta Resort Saipan and Kanoa Resort is subject to commercial negotiations with the CNMI government, which may impose on us materially onerous terms and conditions and require us to address the concerns of various stakeholders.

Our *Fiesta Resort Saipan* and *Kanoa Resort* are operated on land parcels leased from the local government which will respectively expire on June 30, 2021 and June 30, 2024. We are actively engaged in negotiations with the local government on lease renewal. On December 31, 2018, Acting CNMI Governor Victor B. Hocog signed into law Public Law 20-84 ("**PL 20-84**") which provides for an obligation and an authority for the CNMI government to negotiate for the extension of certain public land leases (including our *Fiesta Resort Saipan* and *Kanoa Resort* land leases) for a maximum term of 55 years without publishing a request for proposals and going through a public tender process. The renewal of the public land leases will be subject to the publication of a public notice and a public hearing (where public comments are collected) as well as commercial negotiations on statutorily prescribed terms and conditions including rental level, new improvements and upgrades and public benefits and contributions (such as local employment, public facilities or infrastructure), all of which are common in the context of public land lease renewals in the CNMI and Guam.

Potential investors should note that our land lease renewal is subject to commercial negotiations with the CNMI government which are not entirely within our control. In particular, we cannot guarantee that the government will not impose a significantly onerous rental level compared to our currently stable cost structure. For the 3 financial years ended December 31, 2018, our annual rental expenses on our 4 hotels and resorts amounted to around US$1.3 million per year. If we fail to renew our *Fiesta Resort Saipan* and/or *Kanoa Resort* land leases at a commercially viable rental level, our results of operations, financial conditions and profitability may be materially and adversely affected. In addition to rental level, it is possible for the government to impose additional renewal conditions, such as commitment to local employment opportunities, public contribution and benefits additional hotel and resort infrastructure as well as expansion and ground improvements in addition to our asset rejuvenation plan, some of which are prescribed in PL 20-84 and may be onerous and require additional capital expenditure and/or operating costs. In that case, our cost structure, business outlook, financial conditions and profitability may be negatively impacted.

In particular, according to our CNMI and Guam Legal Adviser, our land lease renewal is subject to the publication of public notice and a public hearing, where indigenous, environmental and other stakeholders may participate and express their concerns over the continuous development of our tourism assets. There is a possibility that the local government may require us to address these concerns as renewal conditions, such as additional investment on environmental preservation as part of our asset rejuvenation plan, in which case we may incur additional costs and on-going expenses and our financial position, prospects and profitability may be materially and adversely affected.

We rely on the reputation and awareness of our hotels and resorts. Incidents or adverse publicity concerning our hotel and resort offerings could harm the reputation of our hotels and resorts as well as negatively impact our revenue and profitability.

Our hotel and resort portfolio, including our various establishments, concepts and our reputation in the industry and among our guests are among our most important assets. Our reliance on the strength of our reputation and market awareness makes us susceptible to reputational damage. There is a risk that the reputation and overall value associated with our hotels and resorts could be adversely affected by particular events or other factors that are within or beyond our control. A reduction in overall guest satisfaction with our services could negatively impact the value of our establishments and our reputation which may in turn harm our future operating and financial performance. The occurrence of accidents or injuries, natural disasters, crime, individual guest notoriety, or similar events can have a substantial negative impact on our reputation, create adverse publicity and cause a loss of consumer confidence in our business. We also intend to implement a US$56.7 million asset rejuvenation plan after the Listing, which is expected to lift our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* towards the up-market segment, a market traditionally more sensitive to the consistency and quality of service offering.

The impacts of the events and risks described above on our business could be particularly severe if we became subject to a dispute or litigation, or if negative information relating to us entered the public domain through the media. In particular, the considerable expansion in the use of social media and online traveler communities over recent years in our key origin markets such as China, South Korea and Japan may compound the possible impact of negative publicity. Unlike some of our main peers, we do not have an international chained brand to rely on, which could make us more sensitive to the adverse impacts of a publicity incident.

Significant erosion in our reputation and market awareness could have an adverse flow-on effect on our ability to attract and retain hotel guests, as well as various booking channels such as tour operators, online travel agents (OTAs), traditional travel agents (TTAs) and other business partners. We believe that reputation, awareness, image and guest drawing power are critical not only to our ability to achieve and maintain high occupancy level, room rates and revenue from food and beverage, meetings, banquets and other hospitality services, but also for our future expansion plans as detailed in "Business — Strategies on Future Business Development" and "Future Plans and Use of Proceeds".

To maintain and strengthen our market position, we must continue to improve our guest and service offerings to meet guest expectations and needs. Any failure to monitor guest expectations and needs, or meet market and technology development, may jeopardize our market position. An event that materially damages our reputation and/or a material failure to sustain the appeal of our hotels and resorts to our customers could have a negative effect on the overall value of our hotels and resorts and subsequent revenue therefrom.

We rely on a number of key sales agreements and arrangements with tour operators to achieve and maintain our market leadership and any material change to or discontinuation of them will have a negative impact on our operating and financial performance.

Our Hotels & Resorts Sector relies on a number of key sales agreements and arrangements with tour operators to achieve and maintain our market leadership. As of December 31, 2016, 2017 and 2018, we had sales agreements and arrangements with 44, 46 and 43 tour operators, respectively, accounting for 44.6%, 40.2% and 38.5%, respectively, of the revenue of our Hotels & Resorts Sector for the 3 financial years ended December 31, 2018 and generating a stable volume for our hotels and resorts. The operating and financial conditions of our hotel and resort operations are therefore dependent upon the continuous presence of these key contracts and arrangements.

Save for Customer D, all of our 5 largest customers (by revenue contribution) during the Track Record Period were tour operators. For the 3 financial years ended December 31, 2018, these top tour operators accounted for 25.7%, 22.4% and 18.9%, respectively, of our total revenue. In particular, QZ Tours, a deemed connected person of our Company under the Listing Rules and a tour operator based in Beijing, China, was our single largest customer (by revenue contribution) during the Track Record Period. For the 3 financial years ended December 31, 2018, QZ Tours accounted for 14.2%, 11.2% and 11.4%, respectively, of our total revenue.

The sales agreements and arrangements with tour operators are typically re-negotiated annually. There is no guarantee that we will be able to renew these contracts and arrangements at similar terms or at all. Any material change to, or discontinuation of, these sales agreements and arrangements could have a material adverse effect on our business, operations and financial conditions.

The growth of online booking channels and competition from general search engine companies may enhance pricing visibility and intensify market competition, which may in turn reduce the room rates we can command for our hotels and resorts and adversely affect our business and profitability.

An increasing portion of our rooms are booked through external online booking channels. Our revenue derived from OTAs accounted for 13.7%, 17.4% and 18.3% of our total revenue for the 3 financial years ended December 31, 2018.

Large, established hotel search engines, such as Google, TripAdvisor, booking.com and Agoda, allow users to search for hotel reservations and have substantial resources and expertise in developing online commerce and facilitating internet traffic. These search engines and online booking channels employ significant marketing strategies, including significant resources for online and television advertising campaigns to drive consumers to their websites. This may significantly make it easier for guests to book accommodation with our competitors who participate in their campaigns. Furthermore, as a centralized source of several hotel offerings, the search criteria of these search engines and online booking channels tend to increase the importance of price and general indicators of quality, which may impact the public's recognition of our hotels and resorts and require us to increase our marketing expenditures that may nonetheless prove ineffective. In addition, travelers may develop loyalties to these hotel search engines and OTAs. As the transparency in the prices charged by various hotel operators increase together with the growing prevalence of OTAs, our price management becomes more dynamic and price competition arises more frequently. The agreements with online booking channels also typically include restrictive provisions on rates, including the ability for hotel and resort operators to use the most favorable pricing in their own booking channels typically known as "best price guarantee". If guest preferences increasingly shift to online booking channels or if the commissions charged by third-party websites increase significantly, our business, results of operations and financial conditions could be materially and adversely affected.

Given the amount of room nights sold through online booking channels, we are to a certain extent dependent on such booking channels, particularly in remote markets that are difficult to reach. Any interruptions in the relationships with online booking channels or interruptions in OTA services could have a material adverse effect on our business, results of operations and financial conditions.

Our operating model subjects us with all risks associated with hotel and resort operations and we are fully responsible for their maintenance and capital expenditure.

We self-operate and manage our hotel and resort premises on leasehold property interests, which subjects us to all risks associated with operating our hotels and resorts. We are responsible for the rental payment of leased land parcels for the entire duration of the term of lease, regardless of our occupancy level and profitability. If we fail to find a sufficient number of guest to occupy our available rooms, or if we fail to maintain an optimal level of income, during the term of our land leases (for example, due to an economic downturn), this may have a materially adverse effect on our future operating and financial performance.

Under our operating model, we are fully responsible for the maintenance and capital expenditures of our hotels and resorts. The costs of maintaining our hotels and resorts will reduce our profits. For the 3 financial years ended December 31, 2018, we had incurred US$4.8 million, US$3.8 million and US$3.2 million, respectively, for the maintenance and capital expenditure of our hotels and resorts. We also intend to implement a US$56.7 million asset rejuvenation plan after the Listing to overhaul our accommodation and service offering. This creates an ongoing need for capital, which we fund with cashflow from our operations. We may be unable to generate sufficient capital or unwilling to spend available capital when necessary. To the extent that we cannot fund expenditures from cash generated by our hotel operations, funds must be borrowed or otherwise obtained. Failure to make such investments due to lack of funds or otherwise, could result in negative impact on guest satisfaction levels, loss of future revenue and could adversely affect the quality and reputation of our hotels and resorts. Any of these events could have a material adverse effect on our business, results of operations, financial conditions and profitability.

In addition, if we are unable to fund all of our actual capital expenditure in the course of our asset rejuvenation plan, a significant increase in finance costs which could affect our financial position and cashflow. The impact on our financial position will depend on whether the excess capital expenditure are funded by cash from operations, debt, equity or a combination of the above. In addition, an increase in capital expenditure such as those related to ongoing renovations would negatively impact our profitability due to the recognition of increased depreciation of capital expenditure.

We rely on our asset rejuvenation plan to achieve future financial growth given that our occupancy level, room age and asset quality have impaired our room rate commanding power. Our asset rejuvenation plan may not be able to drive our future growth in the manner we currently contemplate.

We operated our hotels and resorts close to full capacity for the financial year ended December 31, 2018 with an occupancy rate of 90.9%. At times of the peak seasons in Saipan and Guam, our popular *Fiesta Resort Saipan* and *Kanoa Resort* are often "over-booked". Our occupancy rate is in general higher than the industry average, which leaves us with little room to grow and limited operating flexibility to carry out the necessary contingent repair and maintenance works, provide "soft" service elements such as early check-in, late check-out and complimentary upgrades, and accept last-minute bookings. In addition, failure to provide regular maintenance and repair to our rooms or conduct regular checks on the amenities and functionality of our rooms due to the lack of unoccupied rooms may in the long-term adversely affect the quality of our hotels and resorts, customer satisfaction and reputation, which may translate into a deterioration of business outlook and profitability. In addition, our relatively higher room age (75.3% of our rooms were of 5 years of age or above and 68.0% of our rooms were 10 years old or above as of the Latest Practicable Date) and level of service and facility offering has limited our ability to command higher room rates. During the Track Record Period, our hotels and resorts, with the exception of our *Fiesta Resort Saipan*, recorded a revenue generating indicator (RGI) below 1, which indicates that our RevPAR was below the average of our main peers. To attain future growth and customer satisfaction, we have to and will renovate our hotels and resorts to command higher room rates and also maintain higher customer satisfaction level.

We planned to incur investment costs or capital expenditure by implementing our asset rejuvenation plan totaling US$56.7 million, of which US$29.6 million will be funded by the net proceeds from the Global Offering, on our *Fiesta Resort Saipan*, *Kanoa Resort*, and *Fiesta Resort Guam*. Details of our asset rejuvenation plan are set out in "Business — Strategies on Future Business Development" and "Business — A. Hotels & Resorts Sector — Hotels and Resorts Development — Asset Rejuvenation Plan". Our asset rejuvenation plan is subject to a number of risks, including:-

— the inability to generate sufficient cashflow from our operations to meet the required levels of maintenance and renovations,

— design defects, construction delays or cost overruns (including labor and materials) that may increase project costs,

— the inability or failure of contractors to perform their obligations that may result in construction or remodeling delays, increased costs and loss of revenue,

— renovations may prove to be insufficient to meet increased guest expectations on property standards and design, as a result of which renovated hotels and resorts may not be able to ramp-up their operations to expected occupancy and revenue generation levels, and

— changes in economic conditions that may result in weakened or lack of demand or negative project returns.

As we implement our asset rejuvenation plan, we will close down our rooms by stages for renovation. For the 1st half of 2020, we currently estimate that around 15% of our total available room nights will be closed down for renovation. In any other given 6-month period until the end of 2021, around 3% to 10% of our total room nights will be closed down for renovation. We expect that the occupancy level of the relevant hotel and resort will reduce to no less than around 70% to 78% and no less than around 78% for our Group as a whole, resulting in a corresponding moderate decrease in our RevPAR. While every effort will be made to minimize disruption to our income level and ordinary operations, our occupancy level and RevPAR may be lower during periods of renovation due to noise and visual disturbance to our guests and partial closure of hospitality and other service facilities.

A principal objective of our asset rejuvenation plan is to lift our *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam* from their current mid-market segment to the up-market segment, a market position which we have no prior experience in. The up-market segment has different competitive landscape, industry dynamics and market conditions. There is no assurance that we will be able to compete effectively against our up-market peers or at all, failure of which could undermine the operational and financial benefits of our asset rejuvenation plan and materially and adversely affect our prospects, profitability and financial conditions. We consider that our asset rejuvenation plan will reach the investment payback point when our accumulated incremental net operating income of the relevant hotel and resort exceeds its total investment. Subject always to actual construction requirements, market environment and our operating performance, we estimate that the asset rejuvenation of *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* will reach investment payback in around 8, 7 and 6 years, respectively, and the growth in our ARR will outweigh the increase in our total operating costs. For the purpose of this financial projection, our Executive Directors, senior management and international architectural and hospitality consultant have taken into account the basis and assumptions set out in "Future Plans and Use of Proceeds — Basis and Assumptions" and assumed that upon completion (1) the ARR of our rejuvenated hotels and resorts will increase by around 23.2% to 30.4%, actualizing the room rate commanding power of our upgraded accommodation and service offering, (2) their occupancy rate will reduce slightly by around 3.3% to 7.0% due to the market nature and guest spending pattern in the up-market segment, and (3) their operating cost will increase by around 15.3% on average to cater to the additional staffing and service requirements. There is no guarantee that our asset rejuvenation plan will reach the financial projection above, which are subject to a number of factors beyond our control that may impact the leisure tourism industry globally and in Saipan and/or Guam.

Further, our asset rejuvenation plan has not been finalized. Detailed work plans are conditional upon, for example, the completion of the Global Offering, government and landlord approvals, renewal of the land leases underlying *Fiesta Resort Saipan* and *Kanoa Resort* and the availability of construction contractors at commercially feasible costs, which may or may not be within our control. There is also a risk that we may not have the flexibility to respond quickly to changes in geographical or sector-specific demand or competitive threats because we are unable to timely upgrade our hotels and resorts in the required timeframe. There is also no assurance that these planned developments perform to the level expected by us due to events within or outside our control (for example, as a result of a general economic downturn). As a result, we may not be able to achieve the expected returns on investments in relation to these development plans and our future financial and operating performance could be materially and adversely affected.

We are exposed to the credit risk of our customers.

We offer a credit period of 30 days in general to some of our tour operators, OTAs, TTAs and corporate customers. We are therefore subject to the credit risks of our customers and our cashflow position is dependent on timely payment of our trade receivables by our customers. We may not be able to receive payment on time. Historically, as of December 31, 2016, 2017 and 2018, a provision of US$202,000, US$266,000 and US$186,000, respectively, was made against the gross amounts of trade receivables from third-party customers. In addition, the trade receivables turnover days for the same periods were 20.7 days, 17.9 days and 14.8 days, respectively. Although our management makes periodic collective assessments as well as individual assessments on the recoverability of trade and other receivables, we cannot assure you that our customers will pay us in full for their purchases in a timely manner or at all in the future. If our customers fail to pay us in full in a timely manner, our financial conditions and results of operations may be materially and adversely affected. See "Financial Information — Quantitative and Qualitative Disclosures about Financial Risk" and Note 3.1 to the Accountant's Report for further details.

We face risks related to instances of food-borne illnesses, food contamination and associated liability claims.

As a hotel and resort operator, we operate certain food and beverage outlets at our hotels and resorts and receive rental income from third-party operated restaurants and bars within our hotels and resorts. We also cater to a buffet-styled restaurant in Managaha Island, a popular day-trip destination in Saipan and a burger shop in Garapan, Saipan's tourism center. The food and beverage business is susceptible to food-borne illnesses. In addition, food-borne illness incidents could be caused by third-party suppliers or third-party operator which are outside of our control. Reports of instances of food-borne illnesses in the media or available online could, if highly publicized, negatively affect our operations overall, impact our restaurant sales and customers demand for our hotels and resorts, force the closure of some of our restaurants, each of which may adversely and significantly affect our operations. There is no assurance that we could avoid any or all kinds of food-borne illnesses, and there is also no assurance that we can observe proper hygiene, cleanliness and other quality control requirements or standards in our operations, which could lead to liability claims, complaints and related adverse publicity, reduced customer traffic at our restaurants and the imposition against us of penalties by relevant authorities and compensation awards by courts.

We have not secured the registrations of our hotel and resort trade marks in the CNMI and Guam, and have limited legal recourse to protect our brands and their values.

We are in the process of applying for the registration of our hotel and resort logos, including , , and , as trade marks with the United States Patents and Trademark Office ("**USPTO**"). Before the registration is complete, we have limited recourse, legally or commercially to protect our intellectual property rights and their values. In particular, any possible infringement of our intellectual property rights may require us to rely on U.S. common law, which may involve lengthy, costly and complicated legal procures and might not be as efficient or effective if our hotel and resort logos were registered as trade marks. Failure to maintain, control and protect intellectual property in a timely manner, or obtain a court injunction against any unauthorized use, would likely adversely affect our intellectual property rights and our ability to generate revenue. Our intellectual property rights could be infringed by our peers and our operations could be adversely affected if we fail to protect against unauthorized use.

There can be no assurances that our application for trade mark registrations will be granted or that the steps we take to use, control or protect our trade marks or other intellectual property rights, if registered, with the USPTO and in any other jurisdictions will always be adequate to prevent third parties from copying or using the trademarks or other intellectual property without authorization or in a manner where authorization may not be required. Moreover, some of our hotel and resort names include geographical references, such as *Kanoa Resort* or references of a generic nature which may not be sufficiently protected. Third parties may challenge our rights to certain trade marks or oppose our trade mark applications. Defending against any such proceedings may be costly, and if unsuccessful, could result in the loss of important intellectual property rights. Obtaining and maintaining trade mark protection for our hotels and resorts in multiple jurisdictions is also expensive, and we may therefore elect not to apply for or to maintain certain trade marks. If our trade marks or other intellectual property rights are misappropriated, or otherwise used in a manner where authorization may not be required, our hotels and resorts, including their value and reputation, could be harmed.

Likewise, third parties may make claims against us for infringing or misappropriating their trade marks or other intellectual property rights. Any such claims could be expensive and time consuming to defend, and may force us to stop using the intellectual property rights that is being challenged. These claims will divert our management's attention and resources. Any of these events could have a material adverse effect on our business, results of operations and financial conditions. There is no assurance that we have not infringed the intellectual property rights of any third party before the registration of our logos in the CNMI and Guam is complete. There is equally no assurance that no third party would contest against the use of our logos, and that, if contested, we would be able to successfully defend the use of our logos.

Labor shortage or disruptions could restrict our ability to operate our hotels and resorts or to grow our business and may result in increased labor costs.

Our Hotels & Resorts Sector is labor-intensive. Our success depends in large on our ability to attract, retain, train, manage and engage employees. The level of services we provide to our guests depend on a significant degree on the quality and skillset of our staff (including our temporary and full-time employees and our casual staff). If we are unable to attract, retain, train, manage and engage skilled employees, our ability to manage and staff our hotels and resorts adequately could be impaired, which could reduce guest satisfaction. Staffing shortages could also hinder our ability to grow and expand our businesses. Because personnel costs are a major component of the operating expenses at our hotels, a shortage of skilled employees could also require higher wages that would increase our personnel costs, which could adversely affect our profits. In particular, we need to identify and attract employees within certain complex fields of hotel and resort operations, such as revenue management.

Personnel possessing such skills are highly sought-after within the hospitality industry and there is competition for their services. The failure to attract, train and retain such qualified personnel could have a material adverse effect on our business, results of operations and financial conditions. It is also difficult to hire experienced personnel locally in Saipan given the small population on these islands. Our ability to employ sufficient manpower for our operating needs depends on the availability of foreign labor force, principally from the Philippines, which in turn depends on the immigration policies and labor regulations governing foreign workers in the CNMI. In 2018, the U.S. President signed the Northern Mariana Island U.S. Work Force Act of 2018, which extends the quota for temporary non-immigrant workers in the CNMI from 4,999 to 13,000 and extends the foreign work visa program (CW-1) program) through to December 31, 2029. Any material change to the CW-1 program, such as reduction in temporary non-immigrant worker quota or termination or suspension of the program, could affect our ability to hire sufficient labor or intensify the market competition for labor, which could in turn disrupt our operations.

Further, our operations are subject to a number of other labor laws and regulations in the CNMI and Guam and are required to adopt a number of employee protection measures. See "Laws, Regulations and Taxation — Employment Law Matters" for details. These include minimum wage laws, which currently stands at US$7.25 per hour and US$8.25 per hour in Saipan and Guam, respectively, and had been on a consistently rising trend from 2013 to 2017, and the requirement to maintain worker compensation insurance.

Any adverse change to the currently applicable labor laws and policies, especially foreign worker policy in the CNMI and minimum wage laws, and the introduction of materially onerous new labor laws and policies could significantly affect our business, results of operations and financial conditions.

We are exposed to certain risks in relation to our IT system.

The hotels and resorts industry requires the information technology system for guest and booking management, the maintenance and supervision of which are subject to data protection regulations and requirements of third parties, such as the credit card companies. In particular, we collect large volume of internal and customer data including credit card numbers and other personally identifiable information, and receive private information from our partners including tour operators or OTAs, for various business purposes.

In addition, our reliance on technology also exposes us to a number of risks, including:-

- material disruptions or slowdowns in, or damage to, our information technology systems, including as a result of cyber-attacks, any of which could cause the loss of revenue and/or negative guest experiences and could cause valuable information to be lost or operations to be delayed,

- inability to acquire and develop technology that is competitive and able to support our growth could have a material adverse effect on our ability to serve our customers and manage our business, and

- failure of third-party IT service providers to provide services and technology in a satisfactory manner could result in loss or disruption of these functions or services.

Third-party IT service providers typically do not cover any remedies for damages arising from indirect loss. Any failure or perceived failure to do so may result in proceedings or actions against us by our guests, government entities or others, and could damage our reputation and subject us to fines and damages. In addition, such events would lead to negative publicity and cause consumers to lose their trust and confidence in us, which may result in material and adverse effects on our reputation, business, financial condition and results of operations.

We face certain risks in relation to the collection and storage of confidential customer data.

A challenge we face in the course of our business is the collection and storage of confidential information, such as the names, addresses and contact details we collect upon guest check-in to our hotels and resorts. We also receive personal data of our guests and customers from third-party business partners such as OTAs, tour operators and local agents. We are required to collect and use the private information in accordance with the applicable laws and regulations in the U.S., the CNMI and Guam. The global regulatory environment over personal data privacy has been evolving and becoming increasingly stringent over the past few years and there is no assurance that there will not be any new laws and regulations in the U.S., the CNMI and Guam that may impose us with significant obligations and/or compliance costs regarding data privacy matters.

We also rely on internal process and software controls to protect the confidentiality of customer data, some of which are outsourced to third-party IT service providers. If we, our business partners or our IT service providers do not maintain adequate controls or fail to implement new or improved controls, such data could be misappropriated or confidentiality could otherwise be breached. Confidential information may also be compromised as a result of intentional or unintentional security breach. Any failure or perceived failure to do so may result in proceedings or actions against us to fines and damages. In addition, such events would lead to negative publicity and cause customers to lose their trust and confidence in us, which may result in material and adverse effects on our reputation, business, financial conditions and results of operations.

The availability of adequate financing is crucial to our operations which are capital intensive.

The availability of adequate financing is crucial as hotels and resorts development, refurbishment and operations are capital intensive. In particular, our US$56.7 million asset rejuvenation plan will not be entirely funded with the proceeds from the Global Offering and we intend to finance the outstanding capital costs with internal resources and external financing. Accordingly, if we record negative operating cashflow, fail to obtain adequate financing or the actual costs rise beyond our budget, we may not have sufficient funding for our ongoing and potential developments and they may need to be put on hold or adjusted which in turn may have an adverse impact on our business and results of operations. Even if we are able to secure external financing for the expected costs of our ongoing and potential property and other business developments, we cannot assure you that such external financing is obtained under terms commercially acceptable to us. Accordingly, given that the nature of our business generally contributes to significant funding needs, if we are unable to generate sufficient operating cash flow for our property and other business development activities and as a result the financing of a substantial part of the expected costs of our ongoing and potential development has to be resorted through external financing, such as bank borrowings, other borrowings and/or further issue of Shares (or other equity financing means). There may be adverse implications on our results of operations due to an increase of finance costs (in the case of debt financing) or a dilution of Shareholders' interests (in the case of equity financing). The substantial increase in borrowings may also significantly increase our gearing position and hence may adversely impact our financial condition. See "— Capital raising activities in the future could reduce the market price of the Shares and dilute investors' percentage ownership in our Company" below for further details.

We depend on third parties to provide certain services.

Our Hotels & Resorts Sector is dependent on a number of key third parties as part of the provision of our services. We outsource the maintenance of our IT platform in Guam and subscribe third-party reservation, point-of-sales, asset management and accounting systems, and the success of these arrangements depends on our ability to organize the outsourcing arrangements effectively and to secure the suppliers' delivery on agreed service levels. The use of third-party system may subject us to additional risks in relation to these services. If any of these third-party providers do not meet the agreed service levels, are in breach of laws and regulations or if they were to go into bankruptcy or otherwise be unable to fulfill their commitments, this could adversely affect our reputation and our relationships with our guests. Any of the foregoing factors could have a material adverse effect on our business, results of operations and financial conditions.

B. Risks specific to our Luxury Travel Retail Sector

Franchise and distribution agreements with brand owners generally have a term of 4 to 5 years. We may not be able to maintain or renew our franchise and distribution agreements on the same or more favorable terms, or at all.

Our Luxury Travel Retail Sector revenue is subject to the continuation of our franchise and distribution agreements with brand owners, which in general have a term of 4 to 5 years. Of the 15 franchise and distribution agreements currently in place, 2 will be expiring on or before December 31, 2019. There is no assurance that we will be able to renew these agreements before their expiry dates on the same or more favorable terms, or at all, which in turn is subject to a number of factors which may or may not be within our control (for example, we may be unable to achieve our minimal sales target due to general economic downturn and change of customer preferences against a particular brand). If we are unable to continue our business relationship with these brand owners or if the franchise and distribution agreements are renewed on terms materially detrimental to us, our business, financial conditions and operating results could be materially and adversely affected.

There is also no assurance that we could maintain our minimum purchase commitment required under certain franchise and distribution agreements. Failure to maintain such commitments may give a right to our brand owners to early terminate our franchise and distribution agreements with a shortened notice period or without any notice period (as the case may be). If we are unable to maintain our existing business relationship within our contractual term with these brand owners, our initial investments may not be recuperated, and our operating results could be materially and adversely affected.

We may not be able to renew the lease agreements of our boutiques.

The lease agreements of our boutiques typically have a term ranging from 3 years to 7 years. The continuous business development of our Luxury Travel Retail Sector depends on our ability to renew these lease agreements.

Of the 18 lease agreements of our boutiques in place as of the Latest Practicable Date, 11 of them contain an automatic renewal clauses or options to renew for an additional term. As of the Latest Practicable Date, we had 4 lease agreements expiring by the end of 2019 and another 6 by the end of 2020, the corresponding boutiques of which contributed 50.7% of the sector revenue of our Luxury Travel Retail Sector for the financial year ended December 31, 2018. If we are unable to renew these lease agreements, we will have to close or relocate the relevant boutiques, which could result in loss of income during the period of closure and incur additional re-location costs. If we are unable to renew the lease agreements before the boutiques reach breakeven or investment payback points, we may be unable to recuperate the capital expenditure invested in these boutiques. 8 of the 9 brand owners have rights to early terminate the franchise and distribution agreements if we fail to operate or maintain the boutiques at authorized locations. Failure to renew or maintain these leased premises could impact our on-going relationship with these brand owners, which would in turn affect our business prospects, results of operations and financial conditions.

We are subject to a number of terms and obligations under the franchise and distribution agreements with brand owners which may restrict our operations, expansion and future prospects. Failure to observe these terms may lead to early termination of the franchise and distribution agreements.

Our franchise and distribution agreements with brand owners typically have a fixed terms of 4 to 5 years. During the term of these agreements, we are subject to a number of terms and obligations which may restrict our travel retail operations, expansion and future prospects. Failure to observe these terms may give rights to the brand owners to early termination of the franchise and distribution agreements with a *nil* to 60 days' notice. These restrictive terms and obligations include:-

— All of the brand owners specify a minimum purchase amount or purchase target during a given period. The overall retail sentiment and economic conditions may restrict our ability to achieve these amounts or targets, or it may be against our commercial interests to purchase the requisite amounts or targets.

— All of our brand owners require us to launch a certain number of boutiques at specific location(s). It may be against our commercial interests to launch the requisite number of boutiques when there is no sufficient demand at the specified locations. This requirement may also restrict our ability to allocate our resources to otherwise launch new boutiques under other brands or locations which we believe would be more economically viable.

— 8 out of 9 brands stipulate specific boutique locations. There is no assurance that approval will be given for a location we believe to be desirable.

See "Business — B. Luxury Travel Retail Sector — Brand Offering — Procurement" for details.

If we face material difficulties in complying with these terms and obligations, our procedure is to seek prior approvals from the relevant brand owners. We cannot assure you that these approvals will be given without onerous conditions or at all. If we fail to observe these terms and obligations or obtain prior approvals from brand owners, the relevant franchise and distribution agreements may be terminated early, in which case we may lose our initial investments and rights to sell our existing merchandise inventory and our business, results of operations and financial conditions may be materially and adversely affected.

If we are not able to identify and secure suitable locations, or to seek consent from brand owners, for new boutiques or new brand collection, our expansion and growth prospects may be adversely affected.

Our future performance and boutique development plans depend, to a significant extent, on the availability of suitable locations. Our boutiques in Guam, Saipan and Hawaii are located in the key tourism centers of Tumon Bay (Guam), Garapan (Saipan) and Honolulu (Hawaii), and within popular shopping malls which allow us to ride on the traveler drawing power of these locations and also our competing brands' retail locations. Availability of these prime locations in Guam, Saipan and Hawaii is scarce, and competition to secure these locations is intense. In addition, given the geographical size of Saipan and Guam, addition of a new boutique under the same brand or with the same segment may lead to cannibalization. We cannot assure you that we will be able to identify and secure prime locations in the future on commercially viable terms, or at all. There is equally no assurance that we may have the necessary financial resources to outbid our competitors for these prime locations. Any failure to identify and lease suitable locations to operate boutiques under our existing franchise and distribution agreements or to launch our new boutiques may have a material adverse effect on the future growth of our boutique network. Selection and maintenance of boutique locations are also subject to the approval of 8 out of 9 of our existing brand owners, which may or may not be given.

Our boutique expansion plans are subject to the restrictive covenants under our existing franchise and distribution agreements. 3 out of 9 brands require us to inform and seek consent from the relevant brand owners if we plan to supply (or actually supply) any merchandises which compete with those which we are authorized to distribute pursuant to the relevant franchise and distribution agreements. However, most of the brands do not specify their competing brands exhaustively. Due to the number of brands in the luxury and fashion accessories market, whether a potential new brand will be perceived as a competing brand depends on, to a large extent, the discretion of our existing brand owners on a case-by-case basis. Prior to signing up new brand or launching a new boutique, we would first ascertain any potential conflict or competition with our existing brand collection. If a possible conflict or competition is identified, we would consult our existing brand owners and seek the necessary consent. There is no guarantee that such consent will be given and failure to obtain the necessary consent would restrict our ability to further expand, in which case our business prospects, outlook and financial conditions may be materially and adversely affected. The requirement to launch a specific number of boutiques at specific locations could also restrict us from otherwise allocating resources to other boutique development plans that we believe to be more desirable.

An increase in the level of rentals will increase our selling and distribution expenses and may adversely affect our operations and profitability.

The margin of our Luxury Travel Retail Sector is limited by the wholesale prices and recommended retail prices or pricing guidelines prescribed by the brand owners. Our Luxury Travel Retail Sector's profitability is thus principally driven by sales volume. To attain future growth, we must expand our boutique network. Rental expenses form a significant portion of the fixed costs of our Luxury Travel Retail Sector. For the 3 financial years ended December 31, 2018, the rental expenses of our boutiques amounted to US$1.1 million, US$1.3 million and US$3.3 million, respectively.

Significant increase in the level of rental expenses may result in corresponding increase in our selling and distribution expenses when we launch new boutiques or when we renew the lease agreements of our existing ones. The term of our lease agreements typically range from 3 years to 7 years. We cannot assure you that our landlords will not increase the level of rental charged to us when we seek to renew our lease agreements or to request for better locations for our boutiques, or that we will be able to renew the lease agreements on comparable terms, or at all. Any material increase in the level of our rental expenses which we may not pass on to our end-customers may have a material adverse impact on our business, financial conditions, results of operations and prospects.

There is no assurance that we will be able to maintain our geographical exclusivity.

As of the Latest Practicable Date, we were the exclusive retail operator (i.e. we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii) of 5 out of 9 brands. Geographical exclusivity is a key element of our Luxury Travel Retail Sector. For the financial year ended December 31, 2018, we achieved an exclusivity mix of 54.3% (the percentage of sector revenue generated from our exclusive brands). There is no assurance that we will be able to maintain our geographical exclusivity. This could happen when brand owners change their existing sales or marketing strategy in respect of the merchandises supplied to us, for example by establishing a direct retail presence in Guam, Saipan and Hawaii and selling those merchandises directly to our end-customers without going through us, changing their business strategies or reducing their sales or production volume. In particular, the franchise and distribution agreements with our brand owners generally grant us exclusivity to operate a boutique store in the relevant territory, though such exclusivity rights are generally limited to a certain line of merchandises or certain authorized locations. For example, brand owners may retain the right to sell merchandises at duty-free shops, airports and online. Consequently, we cannot guarantee that we will be able to maintain our exclusivity or be free from direct competition. In the event that we lose our geographical exclusivity, our business, financial conditions and operating results could be materially and adversely affected.

We are subject to stringent procurement and pricing requirements under the franchise and distribution agreements.

Our pricing flexibility is restricted by the franchise and distribution agreements, which provide that merchandises must be procured at specified wholesale prices and are in general sold at recommended retail prices or pricing guidelines provided by the brand owners. Brand owners also typically have the discretion to adjust their recommended retail prices or pricing guidelines from time to time. Any significant increase in the wholesale prices of our merchandises and material reduction their recommended retail prices or pricing guidelines may affect our ability to achieve an optimal level of margin to cover our total operating costs. In addition, we are also subject to the minimum purchase commitment and the sales target prescribed by the brand owners. The portfolio of merchandises we procure and sell may also be subject to the discretion and stock level of the relevant brand owners from time to time which we have limited control, and we may not be able to selectively procure merchandises which we consider popular. In the event that there is any change to our brand owners' pricing and procurement policies that is materially detrimental to us, our business, financial conditions and operating results could decline.

We depend on the reputation of our brand collections and the popularity of their merchandises which we have limited or no control over, and any unfavorable customer feedback or negative publicity against the global image of our collection of brands could adversely affect our luxury travel retail business.

We depend on the strong values of our franchised brands to operate a successful luxury travel retail business and market our merchandises. All of our brands are franchised, and we have limited or no control over the maintenance and enhancement of their image, awareness and reputation. Our business, financial conditions and results of operations may be adversely affected should there be any negative publicity against our franchise brands. In particular, many of our brands are internationally recognized. Any complaint over our franchised brands or our merchandises, such as those relating to product quality, return policy, mishandling of customer data or data privacy issues or customer in any of their places of operations could potentially affect their brand image on a global scale. The impact of these events on our business could be particularly severe if negative information relating to our franchised brands entered the public domain through the media. In particular, the considerable expansion in the use of social media over recent years in our key origin markets such as China, South Korea and Japan has compounded the impact of negative publicity.

We cannot guarantee that the brand owners will be able to maintain their brand image, awareness and reputation among our potential customers in the future. Any material deterioration in the brands' public image and reputation could have a material adverse effect on our business, financial conditions and results of operations. See "Business — B. Luxury Travel Retail Sector — Brand Offering — Procurement" for details of our marketing commitments.

Most of our franchise and distribution agreements include terms on promotion and advertising expenses and capital expenditure obligations.

Under our franchise and distribution agreements, we must operate our boutiques against specific design, operational and design requirements, which require from time to time significant capital expenditure commitments from us. For the 3 financial years ended December 31, 2018, we incurred an addition of leasehold improvements in relation to our boutiques in the amount of US$240,000, US$3.0 million and, US$337,000, respectively, principally arising from the decoration and layout configuration of our boutiques to the standards and requirement prescribed by the brand owners. In addition, we are also required under our franchise and distribution agreements to commit a certain amount of global and/or local advertising, marketing and/or promotional expenses. For the 3 financial years ended December 31, 2018, we incurred advertising and promotional expenses in our Luxury Travel Retail Sector of US$136,000, US$10,000 and US$355,000, respectively.

We consider that there is an ongoing need for capital for the continuous and future development for our Luxury Travel Retail Sector, which we fund with cashflow from our operations. We may be unable to generate sufficient capital or unwilling to spend available capital when necessary, even if required by the terms of our franchise and distribution agreements.

To the extent that we cannot fund expenditures from cash generated by our operations, funds must be borrowed or otherwise obtained. Failure to make the investments necessary to comply with the capital expenditure obligations by us could result in dilapidation claims, non-renewal or termination of the franchise and distribution agreements. There is also a risk that we may be unable to agree with our landlords on investment and renovation plans. Any of these events could have a material adverse effect on our business, results of operations and financial conditions.

We may not be able to continue to successfully expand our merchandise offering and brand collection.

We from time to time seek to expand our brand collection and merchandise offering by entering into new franchise and distribution agreements. For example, we seek to enhance the shopping experiences of our customers with seasonal or travel retail exclusive merchandises. However, our ability to sign up new brands or diversify our merchandises depends on a number of factors, some of which may not be within our control, including whether there will be suitable brand owners seeking distributors in our markets, whether our distribution infrastructure and our corporate culture would be a good match with them, whether we could obtain an exclusive right of distribution from such brand owners in our markets against our competitors, whether our competitors would be able to offer terms more favorable than ours, and whether our existing brands place any restriction on us to expand our brand portfolio, as well as the supply and demand of our desired merchandises. There is no assurance that we will be able to enter into new franchise and distribution agreements with the preferred brand owners.

Our expansion with new brands or merchandise offering may not receive broad market acceptance. During the Track Record Period, we closed down 4 boutiques due to the market demand and operating condition of the relevant brands and boutiques. There is no assurance that we will be able to predict or adapt to the preferences and trends of our customers, or that we will be able to recover any investments we make in introducing these new brands or merchandise categories. There is no assurance that we will be able to successfully integrate new brands or merchandise categories into our existing merchandise offerings and brand portfolio. We cannot assure you that any new brands or lines of merchandise we offer will gain market acceptance or that they will be able to generate a positive cashflow.

In addition, the introduction of new brands and lines of merchandise may adversely affect the sales of our existing branded merchandises, and we cannot assure you that we will maintain an optimized brand collection and merchandise offering. If we are not able to manage our growth or execute our strategies effectively, we may not be successful in growing our business and our business and prospects may be materially and adversely affected.

Our business operations may be affected by risks related to logistics services.

We rely on brand owners or external logistics service providers to deliver our merchandises to our warehousing units and boutiques. Delivery disruptions of logistics services may occur for various reasons beyond our control, including transportation bottlenecks, labor strikes or adverse weather conditions, and could lead to delayed or lost deliveries. In addition, we may suffer losses or damages of products as a result of theft or poor handling by the brand owners and logistics service providers. Under-performance of the logistics service providers could result in our inability to meet customer demands and expectations and have a material adverse effect on our reputation, business, financial conditions and results of operations.

We are subject to certain risks relating to the warehousing of our merchandises.

We store our merchandises at our warehousing units or on-site at our boutiques. We maintain insurance to cover financial losses we may sustain as a result of accidents, including fires and flooding, in our warehouses. However, if such accidents, including fires and theft, were to occur, causing damage to our merchandises, boutiques and warehousing units, we may not be able to supply sufficient merchandises to satisfy market demand or to maintain an optimal income level, in which case our market reputation, financial conditions, results or operations and business prospects may be materially and adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures or delay the delivery of merchandises. Delays in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end-customers. If any one or more of the above risks were to materialize, our financial conditions and results of operations may be adversely affected.

We face slow and obsolete inventory risks.

Our inventory is primarily made up of merchandises sold under our Luxury Travel Retail Sector, which in turn are subject to market demand, changes in consumer preferences and number of tourist arrivals in Saipan, Guam and/or Hawaii. Fashion trends and consumer preferences change from time to time. The success of our business is largely dependent on anticipated future fashion trends and consumer preferences and procurement of appropriate products from our brand owners that match the appetites of travelers. Consumer preferences differ across tourist origins and among customer groups, and thus are influenced by factors such as changing esthetic and evolving styles. We thus face the risks of slow and obsolete inventory.

As of December 31, 2016, 2017 and 2018, we recorded inventory in the amount of US$3.4 million, US$6.2 million and US$8.9 million, respectively, of which 92.5%, 94.2% and 95.0% was attributed to our Luxury Travel Retail Sector in the corresponding period. For the 3 financial years ended December 31, 2018, our inventory turnover days was 142.7, 172.5 and 174.7, respectively. During the same periods, an obsolete inventory of US$53,000, US$24,000 and US$29,000, respectively, was provided for.

Our merchandises, especially for luxury goods, are very often seasonal items, the appeal of which quickly diminishes if they remain unsold, or become “out-season” over a given period of time. Any slow and obsolete inventory may have to be provided for or written off, which could lead to a reduction in our business profitability and in turn have a material adverse effect on our business, financial conditions and results of operations.

C. Risks specific to our Destination Services Sector

Our self-operated excursion tours are adventure tourism in nature, which have the inherent risks of physical safety, property damage and financial loss.

Our self-operated excursions, tours, namely our *SeaTouch* stingray interaction experience, *Jetovator* jetski tour, and *Let's Go Tour* mountain and jungle adventure, are adventure tourism in nature which inherently exposes our participants to danger, harm or loss. Risks can be a physical safety matter, a risk of property loss, a financial business risk and more and in varying degree.

The operation of adventure tourism exposes us to potential liability claims from our participants, which in turn are subject to a number of factors, some of which may be out of our control, such as accidents, infrastructure and equipment conditions, participants' own acts, and the natural environment. There is no assurance that our existing insurance policies may be sufficient to cover us against liability claims or at all, especially when the claims involve physical injuries of deaths. We may be required to incur significant costs and management resources to defend these claims, in which case our financial condition and results of operations may be materially and adversely affected.

Although there was no material accident in relation to our self-operated tours during the Track Record Period, any incident, were they to occur, involving our self-operated excursions, tours and activities, including physical injuries or death could have a material adverse impact on our reputation and customer confidence, in which case our business, results of operations and financial conditions could decline. In particular, the considerable expansion in the use of social media and online traveler communities such as TripAdvisor over recent years in our key origin markets such as China, South Korea and Japan has compounded the impact of negative publicity.

Our self-operated excursion tours are subject to the maintenance and renewal of licenses and leases.

We maintain leases and licenses with the CNMI government for our self-operated activities, including the submerged land lease of our *SeaTouch* floating dock and various business licenses in specific categories for our *Let's Go Tour* and *Jetovator* tours. For the 3 financial years ended December 31, 2018, our revenue generated from these unique excursion tours in aggregate amounted to US$0.4 million, US$0.7 million and US$0.9 million, respectively. Upon expiry of any of our leases or licenses, there is a risk that they will not be renewed in a timely manner or at all, upon occurrence of which we will have to cease the operation of the relevant self-operated activities, which would result in loss of our revenue. There is no assurance that we could renew our leases or licenses with the CNMI Government. The non-approval, non-renewal, revocation or suspension of our leases and licenses, whether as a result of the infringement of regulatory requirements or for reasons beyond our control, could have a material adverse impact on our business, financial conditions and operating results.

We arrange for third-party operated activities, travel management services and ground transportation. Any non-performance, sub-standard performance or delayed performance of these third-party land operators may adversely affect our reputation.

We provide booking services for excursions, tours, transportation and activities operated by third-party land operators which we have little or no control over. Any non-performance, delayed performance or deterioration in the level of services provided by third-party land operators may materially and adversely affect our customer loyalty, reputation and sales and marketing capabilities. Any negative incident or negative publicity concerning us or our third-party service providers may materially and adversely affect our reputation, business, results of operations and financial conditions.

We have no control over the way in which the third-party operators provide their services. If there is an incident involving third-party activities that are booked through us, there is no assurance that we will be able to pass on our liabilities to the third-party land operators.

Misconduct of our third-party service providers could also damage our reputation and affect our self-operated excursion tours. Reputation is based largely on customer perceptions with a variety of subject qualities and can be damages even by isolated business incidents that degrade consumer trust. Customer demand for our self-operated excursion tours, given the popularity of online review websites and the impact of word-of-mouth reputation, could also diminish significantly and quickly if we are perceived to act in an unethical or socially irresponsible manner. Further, as we do not maintain a written contract with these service providers, it is difficult for us to enforce against any non-performance or sub-standard performance.

D. General business risks

We are subject to the seasonal fluctuations of the leisure tourism market.

Our leisure tourism business is subject to the seasonal cycles of the leisure tourism market in Saipan, Guam and other locations. The leisure tourism market of Saipan and Guam, similar to other beach holiday destinations, are considered "tropical escape". Our peak seasons thus fall in winter of our key origin markets such as China, South Korea and Japan from December to February, which also coincide with school and public holidays in these markets such as Thanksgiving, Christmas, New Year and Lunar New Year. Another peak season would be the school holidays in July and August, bringing influx of family travelers into Saipan and Guam.

Our business operation has, to a certain extent, relied on our performance in these peak seasons. Any failure to perform in these peak seasons may have a material adverse impact in our full-year results. In addition, in light of the seasonal pattern of our tourism business, our revenue and results of operations are likely to fluctuate going forward, and thus the results for any period in a year are not necessarily indicative of our full-year results.

We may not be able to achieve the same growth in our tourism business in the future as we experienced during the Track Record Period.

For the 3 financial years ended December 31, 2018, our revenue amounted to US$81.2 million, US$89.4 million and US$100.2 million, respectively representing a growth on a CAGR basis of 11.0% between 2016 and 2018. For the 3 financial years ended December 31, 2018, our operating profit amounted to US$14.3 million, US$15.7 million and US$12.4 million, respectively. Our operating profit grew at 10.1% on a year-on-year basis between 2016 and 2017 and dropped at 21.1% on a year-on-year basis between 2017 and 2018.

If there is a decrease in the demand for tourism industry in Saipan and Guam, or if there is a switch of traveler preferences, we may be unable to provide tourism products and services (whether by way of enhancement of existing offering or by way of new offering) to address these changing preferences, our profitability and financial position may be adversely affected.

We currently expect that our financial results for the financial year ending December 31, 2019 compared to that of the financial year ended December 31, 2018 will be negatively impacted by a one-off, non-recurring expense of around US$3.6 million in relation to the write-off of the existing leasehold improvements at *Fiesta Resort Guam* due to the commencement of our asset rejuvenation plan. Leasehold improvements to be written off are expected to be permanent fixtures which will be demolished before our asset rejuvenation plan, such as wall finish, carpet, furniture and bathroom facilities.

There will also be a one-off, non-recurring listing expenses of around US$1.0 million expected to be charged to our consolidated statements of comprehensive income, and a one-off, non-recurring capital expenditure of around US$1.7 million in relation to a new travel retail boutique launched in Saipan in April 2019 and another to be launched in Guam in mid to late 2019 for the year ending December 31, 2019. Both of them are under a French luxury fashion brand which we have commenced business relationship with in December 2018).

We may be determined by the Stock Exchange as operating gambling activities if we fail to comply with the applicable laws of the CNMI or the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) and the Stock Exchange may suspend the dealings in our Shares or cancel our Listing.

The Stock Exchange issued a Guidance Letter HKEx-GL71-14 titled "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers" in January 2014, which applies to the operation of gambling activities by listed companies. We have been leasing a 641.0 sq.m. premise at our *Kanoa Resort* to Strategic Gaming Solutions, Inc. ("**Strategic Gaming**"), a connected person of our Company under the Listing Rules, for its operation of an amusement and gaming center. Strategic Gaming is indirectly owned as to 70% by Luen Thai Group Limited, which in turn is owned as to 55% by Dr. Henry Tan, an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder, and as to 30% in aggregate by independent investors. See "Continuing Connected Transactions" for further details. Under the lease, we are entitled to a variable rent which is calculated based on the net gaming revenue generated from gaming machines. During the Track Record Period, we received in aggregate US$268,000, US$267,000 and US$285,000 of rental income from Strategic Gaming Solutions, Inc. Our CNMI and Guam Legal Adviser has confirmed to us that these arrangements and our receipt of net gaming revenue as variable rent do not constitute "casino gaming activities" under The CNMI's Commonwealth Casino Commission Regulations and do not require a "casino gaming license" or "casino license". Nevertheless, if the Stock Exchange still deems our arrangements with Strategic Gaming as gambling activities pursuant to Guidance Letter HKEx-GL71-14, or if we (1) fail to comply with the applicable laws in the areas where such activities operate (namely, the CNMI), and/or (2) contravene the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong), we or our business may be considered unsuitable for listing under Rule 8.04 of the Listing Rules. Depending on the circumstances of the case, the Stock Exchange may require us to take remedial actions, and/or may suspend the dealings in, or may cancel the listing of, our Shares pursuant to Rule 6.01 of the Listing Rules.

We may face litigation or other actions from time to time, which may divert significant management and financial resources to address.

We may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, landlords, government agencies, regulators or other third parties, alleging or investigating matters such as asset ownership, resources use, product and/or service quality and supply issues, injury, health, environmental or safety or operational concerns, nuisance, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations. The outcome of litigation are often uncertain. Such matters, even if successfully addressed without direct adverse financial effect, could have adverse effect on our reputation and divert our financial and management resources from more beneficial uses. If we were found to be liable under any such claims, this could adversely affect our profitability.

The application of HKFRS 16 on our operating lease commitments may materially affect the amounts of right-of-use assets, lease liability, rental expenses, depreciation and interest expense.

During the Track Record Period, our Group was a lessee under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in Note 2.25 to the Accountant's Report. As of December 31, 2018, our total non-cancellable operating lease commitments amounted to US$29.5 million. During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on January 1, 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognize certain leases outside of the statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position after the adoption of new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by change in our lease liability position. In our consolidated statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognized in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in Note 2.1 to the Accountant's Report, the full text of which is set out in Appendix I to this Prospectus.

Our success is largely dependent on the continued services and performance of certain key personnel and our ability to attract and retain appropriate personnel.

Our success depends to a significant degree upon the expertise, experience, continuity, network and committed service of our core management team, most of whom have an in-depth understanding of our industry and operations and would be difficult to replace. Chairman Tan (Chairman of our Board and a Non-Executive Director) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) are well-respected entrepreneurs in the Hong Kong, China and the Western Pacific Region each with extensive industry experiences of over 30 years. They are joined by our other Executive Directors, Mr. Chiu (the 2013 Executive of the Year in Guam and a proven executive with strong local and industry knowledge relevant to our business), Mrs. Su Tan (a hotel and restaurant administration graduate with over 8 years of experiences in sales and marketing who gives us directional insights particularly on business development, reputation management and operational efficiency) and Mr. SCHWEIZER Jeffrey William (who contributes to our operations with his deeply rooted connections and strong industry knowledge having acted as the Chairman of the Guam Hotel and Restaurant Association). We also have a team of long-serving senior management in charge our day-to-day operations. Mr. Jerry Tan, our President, Guam & Saipan, is the 2003 Business Person of the Year in Saipan, the 2009 Executive of the Year in Guam and is actively involved in various industry and community roles.

The local leisure tourism market in Saipan and Guam is relatively small and there is a limited number of management candidates that are familiar with our industry and operations. As such, the departure of any of our key management members could be disruptive to our business development and could have a material and/or adverse effect on our business and financial conditions. We cannot guarantee that the services of such personnel will continue to be available to us or that we will be able to replace any such personnel with individuals with similar knowledge, experience or network.

We may be unable to prevent, deter and detect all instances of fraud or other misconduct committed by our employees, customers or other third parties.

We receive and handle large amounts of cash in our daily operations. The cash sales in our hotels and resorts as well as boutiques are handled by our staff. We may be susceptible to pilferage, theft, fraud or corruption by our staff, our customers or other third parties. Any fraud, theft and other misconduct involving our employees could subject us to financial losses and damage our reputation and goodwill and may have a material adverse effect on our business and operating results. Such instances can be difficult to fully prevent, deter and detect. Such instances committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business, results of operation and financial conditions.

We may be subject to possible exposure to uninsured liabilities.

We face a number of inherent risks in our ordinary course of our operations as a leisure tourism business. We have insurance policies under which we have insured ourselves against certain operational risks including property damage or loss, natural disasters, fire, vandalism/mischief, personal injury, premise liability, vehicles, and product liability. Certain types of risks, such as the risks associated with the collectability of our trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance companies because they are either uninsurable or it is not cost-justifiable for us to insure against such risks. Should an uninsured liability or a liability in excess of its insured limit occur, we may suffer great losses which could adversely affect our future revenue streams and financial performance.

RISKS ASSOCIATED WITH OUR INDUSTRY

The leisure tourism market in Saipan and Guam is competitive. We may be unable to compete for hotel guests and customers for any of the ancillary services we offer, such as food and beverage and meetings, banquets and conferences.

The leisure tourism market in Saipan and Guam is subject to competition, particularly in the hotels and resorts industry. In 2017, there were around 50 hotels and resorts in Saipan competing for 653,000 of arriving tourists, and over 50 hotels and resorts in Guam competing for 1.6 million of arriving tourists. In Guam, competition is particularly intensive with the presence of a number of international branded market peers which constantly gives us pricing pressure. During the Track Record Period, our *Fiesta Resort Guam* operated at an average occupancy rate of 86.2%, which is below our Hotels & Resorts Sector average. For the financial year ended December 31, 2018, our *Fiesta Resort Guam* recorded a RGI of 0.96, which indicates a sub-par RevPAR compared to our main peers in Guam.

We compete for leisure traveler on the basis of price, quality of services, locations and range of tourism product and service offering. Consolidation in the leisure tourism market generally may also result in increased competition through the creation or expansion of leisure tourism groups like us with diversified operations and substantial marketing and financial resources. With the growing prevalence of online booking channels which significantly enhances pricing transparency, and as global tourists become more willing to spend on premium holiday experiences, the competitive landscape has become more dynamic and intensive over the years.

Likewise, our up-market main peers may lower their rates to a level comparable to those of the mid-market while budget-market players can further reduce their rates to appeal to a more price-conscious traveler base. Further, new “sharing economy” platforms such as Airbnb could begin to capture a larger share of business from traditional tourism operators. While we have not yet experienced a significant effect from such platforms, they could begin to attract a larger percentage of leisure or other customers. The resulting increased competition for guests and inability by us to compete successfully could have a material adverse effect on our business, results of operations or financial condition.

Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect demand for travel activities or a general apprehension of such events may significantly and adversely impact on our business and operating results.

Our leisure tourism business may be materially and adversely affected by natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events. Such events, or a general apprehension of such events, may significantly and adversely affect traveler sentiments and demand for tourism products and services to the affected destinations or for travel activities in general.

For example, from time to time we experience adverse weather conditions (such as typhoons and flooding) in Saipan and Guam, which may in turn affect the provision of electricity and water, airport services and flight schedules and in turn tourist arrivals, for a period of time. In particular, Saipan and Guam are prone to typhoons. On October 24, 2018, Super Typhoon Yutu tore through Saipan and caused (among others) temporary closure of the Saipan International Airport and temporary suspension of commercial flights for inbound travelers. The typhoon also damaged certain utilities supplies, such as water and electricity, in certain parts of the island. While we did not experience any structural or permanent damage, temporary suspension of tourist arrivals have led to a decline of our occupancy level for the financial year ended December 31, 2018. Travel activities were also temporarily suspended. The traveler sentiments and demand for travel products and services in Saipan and Guam may thus be affected as and when Guam or Saipan are reported to be affected by adverse weather conditions.

In addition, if the outbreak of the Ebola virus disease, which is currently an ongoing threat, cannot be controlled, or if SARS, swine flu, avian influenza, or any other contagious disease or epidemic breaks out in Saipan and Guam, or if there is a general apprehension of such outbreaks, consumer demand for travel to the affected destinations or in general may be undermined. On-going concerns regarding epidemic or contagious diseases and government advice regarding, or restrictions on, travel to and from regions on account of an outbreak of any epidemic or contagious diseases may significantly reduce the demand for travel products and services.

Further, travel-related accidents, terrorist attacks against airline flights and tourist attractions or other catastrophic events may also have material adverse effects on our business operation and financial conditions. For example, the missing aircraft of Malaysia Airlines during its flight from Kuala Lumpur to Beijing in March 2014, the plane crashes in Indonesia in November 2018 and in Ethiopia in March 2019 and other similar accidents or events may continue to affect consumer demand for travel. The occurrence and timing of such events cannot be predicted or controlled by us and may have significant and adverse impact on our business operations and operating results, particularly if we are, or are perceived to be, not reacting appropriately in the wake of any such event.

We are subject to regulations in the jurisdictions in which we operate and changes to the regulatory environment in which we operate or a failure to comply with applicable laws and regulations may negatively affect our business.

We are subject to laws and regulations in the jurisdictions in which we operate within key areas such as:-

— various licenses and permits for our leisure tourism business,

— law of tenancy,

— accounting, tax, value-added tax and corporate governance,

— health and safety (including work place safety and food safety),

— the environment,

— employment and labor law, including social charges,

— anti-corruption law,

— anti-trust regulations,

— disability access regulations, and

— data protection and privacy.

Adverse regulatory developments under the laws and regulations to which we are subject could expose us to a number of risks. Further, new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. A change in accounting rules or regulations may even retroactively affect our reporting of transactions completed before the change is effective, and future changes to accounting rules or regulations or the questioning of current accounting practices may adversely affect our financial conditions and results of operations.

Failure to obtain or maintain required licenses and permits or failure to comply with current or future laws and regulations may result in:-

— the institution of administrative, civil or criminal proceedings,

— sanctions and the payment of fines and penalties, including potential suspension or revocation of licenses and permits depending on the severity and scale of any regulatory issues,

— increased review and scrutiny of our services by our guests, regulatory authorities and other, and

— negative media publicity and reputational damage.

Any of these developments could have a material adverse effect on our business, results of operations and financial conditions.

RISKS ASSOCIATED WITH DOING BUSINESS IN SAIPAN AND GUAM

Our continuous business prospects and financial performance are closely linked with the state of economy and tourism in Saipan and Guam.

We derive substantially all of our revenue and profits through our leisure tourism operations in Saipan and Guam. As a provider of leisure tourism products and services, we consider ourselves particularly dependent on the continuous development and growth of Saipan's and/or Guam's economy, which is tourism centric. We attribute our success and market-leading position during the Track Record Period to the steady and stable growth in Saipan's and Guam's economy and leisure tourism market, which grew at a CAGR of 13.8% and 6.1%, respectively, between 2013 and 2017.

In particular, the performance of our Hotels & Resorts Sector directly linked to the number of tourist arrivals, which in turn is reliant upon the growth of Saipan and Guam as popular beach holiday destinations, while the performance of our Luxury Travel Retail Sector and Destination Services Sector is subject to a matrix of factors, such as customer demand for luxury goods, changing traveler trends and preferences, and the demographics and income level of incoming tourists, all of which are, to a different extent, associated with the state of economy and tourism in Saipan and Guam. We cannot guarantee that Saipan's and Guam's economy will grow at the currently projected pace or at all. Any change to the state of economy in Saipan and Guam and their position as beach holiday destinations will materially and/or adversely affect our business, financial performance and prospects.

In the past, Saipan and Guam have experienced periods of slow or negative growth, high inflation, and has been affected by economic volatilities in the Asia Pacific region. There is no assurance that one or more of these factors will not negatively impact our customers' purchasing power or the demand of our tourism offerings, which could materially and adversely affect our financial results and performance. There is also no assurance that the current or future administration of the Saipan and/or Guam government will adopt economic policies conducive to sustaining economic and tourism growth.

The legal system in the CNMI and Guam is different to other jurisdictions that potential investors may be more familiar with.

Our operations are subject to the laws, regulations and rules in the CNMI and Guam.

In Guam, most (but not all) U.S. federal laws apply in the same manner if Guam were a State of the U.S. The laws enacted by the Guam legislature are codified in the Guam Code Annotated. Many of Guam's core laws were originally borrowed from the California codes in the late 1920s. As a result, much of Guam's legal jurisprudence has been based on California legal precedent. California court decisions interpreting statutes originally borrowed from California are still regarded as persuasive authority, though not binding. There is a U.S. District Court of Guam which exercises the jurisdiction of a U.S. district court in the U.S., including diversity jurisdiction. Appeals from the District Court can be taken to the Ninth Circuit Court of Appeals and, in very rare instances, directly to the United States Supreme Court. The Superior Court of Guam serves as the trial court of general jurisdiction. It handles both civil and criminal matters arising under the laws of Guam.

The Supreme Court of Guam serves as the appellate court of Guam. Appeals from the Superior Court are taken to the Supreme Court, which is the court of last resort, except in very limited circumstances where a petition for a writ of review might be granted by the U.S. Supreme Court in the same manner that the U.S. Supreme Court can review a decision of the highest courts in one of the States of the U.S.

The CNMI is subject to the plenary power of the U.S. Congress, except for very specific limitations. Like Guam, the CNMI has both a federal District Court and local trial and appellate courts. The local courts are the CNMI Superior Court and the CNMI Supreme Court. Appeals from the District Court can be taken to the Ninth Circuit Court of Appeals and, in very rare instances, directly to the United States Supreme Court. With certain major exceptions, all federal laws applicable to Guam in effect at the time the CNMI came into existence were made applicable to the CNMI. Later enacted federal laws must specifically name or include the CNMI for them to apply. The jurisprudence of the CNMI is based largely on the common law of the United States. By statute, in the absence of written law or local customary law to the contrary, the common law, as expressed in the restatements of the law approved by the American Law Institute and, to the extent not so expressed, as generally understood and applied in the United States, are the rules of decision in the CNMI courts.

The relevant laws and regulations in the CNMI and Guam are set out in “Laws, Regulations and Taxation” and their legal system is closely associated with the U.S.

The legal system of the CNMI and Guam is different to other jurisdictions that potential investors may be more familiar with and has its own inherent risks and uncertainties. In the event that new laws are imposed, new policies are adopted or existing laws, rules, regulations or policies are interpreted or enforced in a way which is adverse to our operations, our business and financial performance could be adversely affected.

RISKS ASSOCIATED WITH INVESTING IN THE OFFER SHARES

Interests of our Controlling Shareholders may differ from the interests of the other Shareholders.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders. Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), our Controlling Shareholders will be interested in 75% of our Shares. Subject to our Articles and the Cayman Islands Companies Law, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meetings of our Shareholders and, through Directors appointed at the general meetings, at our Board meetings, including:-

— election of Directors,

— selection of senior management,

— amount and timing of dividend payment and other distributions,

— acquisition of or merger with other entities,

— overall strategic and investment decisions,

— issue of securities and adjustment to our capital structure, and

— amendments to our Articles.

The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

There has been no prior public market for Shares and an active trading market for the Shares may not develop or sustain.

Prior to completion of the Global Offering, there was no public market for the Shares. We have applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Global Offering or that the market price of the Shares will not fluctuate following completion of the Global Offering. In addition, we cannot assure you that the Listing will result in the development of an active and liquid public trading market for the Shares.

There is no assurance that we will pay dividends to the expected level or at all.

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among others, our earnings, financial conditions and cash requirements and the provisions governing the declaration and distribution as contained in our Articles, applicable laws and other relevant factors. See "Financial Information — Dividends" for further details. We cannot assure potential investors when or whether we will pay dividends to the expected level or at all in the future.

We are a holding company and our ability to pay dividends is dependent upon the earnings of, and distributions by, our subsidiaries.

We are a holding company incorporated under the laws of Cayman Islands. All of our business operations are conducted through our subsidiaries, and we are dependent upon our subsidiaries for all of our cashflow. Our ability to pay dividends is dependent upon the earnings of our subsidiaries and their distributions of funds to us, primarily in the form of dividends. The ability of our subsidiaries to make distributions to us depends upon, amongst other things, their distributable earnings and their ability to service their debt obligations. Other factors such as cashflow conditions, restrictions on distributions contained in our subsidiaries' articles of incorporation, restrictions contained in their debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distributions to us.

Our subsidiaries incorporated in the CNMI and Guam are required under the relevant laws to withhold tax prior to payment of dividends to our Company. In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of the CNMI and Guam withholding tax applicable to dividends paid by Guam and CNMI corporations to non-resident shareholders is generally 30%. These restrictions could reduce the amount of distributions that we receive from our subsidiaries, which in turn would restrict our ability to fund our operations and pay dividends on the Shares.

The trading prices of our Shares may be volatile, which could result in substantial losses to potential investors.

The market price and trading volume of the Shares may be highly volatile. There are a number of factors which may affect the market price of the Shares, and these factors include without limitation changes in our income or cashflow, new investments and strategic alliances. Any such development will or will not occur in the future and it is difficult to quantify the impact on us and on the trading volume and market price of the Shares. Further, changes in the market price of the Shares may also be due to factors which may not be directly related to our financial or business performance.

Capital raising activities in the future could reduce the market price of the Shares and dilute investors' percentage ownership in our Company.

In the future, we may need to raise additional funds to finance acquisitions, expansion or new developments of our business. If funds are raised through the issue of new equity and equity-links securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage of ownership of our Shareholders in our Company may be reduced accordingly, as a result of which Shareholders may experience dilution in their percentage shareholdings in our Company. Furthermore, it is also possible that such new securities may have preferred rights, options or pre-emptive rights that render them more valuable than or senior to the Shares.

The availability of Shares for sale may affect the prevailing market price of our Shares.

Any future sale of a substantial amount of the Shares by existing Shareholders, or the possibility of such sale, could negatively impact the market price of the Shares on the Stock Exchange and our ability to raise equity capital in the future at a time and price we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock up period beginning on the Listing Date, details of which are set out in "Underwriting — Underwriting Arrangements and Expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules".

There is no guarantee that our Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them after the lock-up period, and the effect of which, if any, on the market price of the Shares cannot be predicted. It is also possible that there may be a sale of a substantial amount of Shares by any of the Substantial Shareholders or Controlling Shareholders or the perception of such sale may occur, which may materially and adversely affect the prevailing market price of the Shares.

RISKS ASSOCIATED WITH THIS PROSPECTUS

There is no assurance that the forward-looking statements in this Prospectus will materialize or remain accurate in the future.

This Prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this Prospectus, the words "anticipate", "believe", "expect", "intend", "plan", "prospects", "going forward" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this Prospectus. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this Prospectus. We do not intend to update these forward-looking statements in addition to our ongoing disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics from various public data sources and other third-party sources contained in this Prospectus.

Certain facts and statistics in this Prospectus, including those relating to Saipan, Guam, Hawaii and/or each of its economy and leisure tourism market have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this Prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics contained in this Prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding-Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail.

Issuer	S.A.I. Leisure Group Company Limited
Global Offering	Global Offering of initially 90,000,000 Offer Shares (subject to the Over-Allotment Option) comprising (i) the Hong Kong Public Offering of initially 9,000,000 Offer Shares (subject to adjustment or reallocation) and (ii) the International Offering of initially 81,000,000 Offer Shares (subject to adjustment or reallocation and the Over-Allotment Option)
Offer Price Range	HK$3.54 to HK$4.48
Over-Allotment Option	Up to 13,500,000 additional Shares to be offered by our Company
Cornerstone Investor	The Cornerstone Investor, Sunrise Height Incorporated, a controlling shareholder of Sa Sa International Holdings Limited (a company listed on the Stock Exchange (Stock Code: 0178)), has agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) at the Offer Price which may be purchased with an aggregate amount of US$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee). For details, see "Cornerstone Investor".
Stock Borrowing Arrangements	The Stabilizing Manager or any person acting for it may borrow from THC Leisure up to 13,500,000 Shares, representing 15% of the number of Offer Shares initially available under the Global Offering
Lock-up Undertakings by our Controlling Shareholders	6 months. See "Underwriting" for further details
Board lot	1,000 Shares
Shares outstanding after the Global Offering	360,000,000 Shares (assuming the Over-Allotment Option and without taking into account any Shares to be issued upon exercise of Post-IPO Share Options)
Dividends	Any dividends declared will be in Hong Kong Dollars on a per Share basis, and will be paid in Hong Kong Dollars to Shareholders registered in our Hong Kong Branch Register.
Voting rights	Each Share entitles its holder to one vote at our Shareholders' meeting. See "Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law"
Stamp Duty	Dealings in the Shares registered in our Hong Kong Branch Register and traded on the Stock Exchange will be subject to stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

Registers of Members

Our Company's Principal Share Registrar will be maintained by our Principal Share Registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands. All of the Shares issued pursuant to the Global Offering will be registered on our Hong Kong Branch Register to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Application for the Listing on the Stock Exchange

This Prospectus is published in connection with the proposed Listing on the Main Board of Stock Exchange by way of Global Offering.

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Capitalization Issue and the Global Offering, the Over-Allotment Option (if exercised) and the Post-IPO Share Options (if granted and exercised).

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, May 16, 2019. No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this Prospectus. All the Offer Shares will be registered on the Hong Kong Branch Register of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on Offers and Sale of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Shares to, confirm that he is aware of the restrictions on offers and sales of the Shares described in this Prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in China or the United States.

Fully Underwritten

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Further information regarding the Underwriters and the underwriting arrangements are set out in "Underwriting".

Price Determination Date

On or around Wednesday, May 8, 2019, and, in any event, no later than Tuesday, May 14, 2019

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Tuesday, May 14, 2019, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

Admission to CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Potential investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for apply for Hong Kong Offer Shares

See "How to Apply for Hong Kong Offer Shares"

Conditions of the Global Offering

See "Structure of the Global Offering — Conditions of the Global Offering"

Professional tax advice recommended

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Sponsor, the Joint Global Coordinators, the Underwriters, any of their respective directors, officers, employees, advisers or agents or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

In preparation for the Listing, we have applied for, and have been granted by the Stock Exchange, a waiver from strict compliance with certain provisions under the Listing Rules. A summary of this waiver is set out in this section below.

The waiver applied by us was granted by the Stock Exchange on the basis of circumstances which are specific to us. In the event of any changes to these circumstances, we will notify the Stock Exchange as soon as practicable.

CONTINUING CONNECTED TRANSACTIONS

The Tan Family has a diverse portfolio of businesses and investments in Saipan and Guam. In the ordinary and usual course of our leisure tourism business in Saipan and Guam, we have entered into certain transactions with certain entities controlled and owned by the Tan Family and private investments of its individual family members which would constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in respect of certain non-exempt continuing connected transactions. See "Continuing Connected Transactions" for further details of these non-exempt continuing connected transactions and this waiver.

DIRECTORS

Name	Address	Nationality
Chairman and Non-Executive Director		
Dr. TAN Siu Lin, SBS (陳守仁博士)	Flat A, 17/F Trafalgar Court 70 Tai Hang Road Hong Kong	American
Executive Directors		
Dr. TAN Henry, BBS, JP (陳亨利博士) *(Vice Chairman and Chief Executive Officer)*	Flat A, 18/F Trafalgar Court 70 Tai Hang Road Hong Kong	Chinese
Mr. CHIU George (also known as 趙明傑先生)	210 Lirio Ave. Barrigada Heights Barrigada Guam 96921	American
Mrs. SU TAN Jennifer Sze Tink (蘇陳詩婷女士)	Flat A, 10/F Carnation Court 43 Tai Hang Road Hong Kong	Chinese
Mr. SCHWEIZER Jeffrey William	302 Diamante Condo Milagro St. Tamuning Guam 96913	American
Non-Executive Director		
Mr. TAN Willie (陳偉利先生)	10/F, Block A 24 Fontana Garden Ka Ning Path Tai Hang Road Hong Kong	Chinese
Independent Non-Executive Directors		
Prof. CHAN Pak Woon David (陳栢桓教授)	6/F, Flat B Wealthy Villas 17 Chi Fuk Circuit Fanling Hong Kong	Australian
Mr. MA Andrew Chiu Cheung (馬照祥先生)	House No.6 Jardine Terrace 2-32 Price Road Hong Kong	Chinese
Mr. CHAN Leung Choi Albert (陳樑才先生)	Flat C, 8/F Butler Towers 1-5 Boyce Road Hong Kong	Chinese

See “Directors and Senior Management” for the qualifications and experiences of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**BOCOM International (Asia) Limited** 9th Floor Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**BOCOM International Securities Limited** 9th Floor Man Yee Building 68 Des Voeux Road Central Hong Kong **China Everbright Securities (HK) Limited** 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong **Haitong International Securities Company Limited** 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Legal advisers to our Company	*As to Hong Kong laws* **Deacons** 5th Floor Alexandra House 18 Chater Road Central, Hong Kong *As to CNMI and Guam laws* **Blair Sterling Johnson & Martinez, P.C.** 238 Archbishop Flores Street Suite 1008 Hagåtña Guam 96910-5205 *As to Cayman Islands laws* **Conyers Dill & Pearman** P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong laws* **Hogan Lovells** 11th Floor, One Pacific Place 88 Queensway Hong Kong
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong

Property Valuer	**Savills Valuation and Professional Services (S) Pte Ltd** 30 Cecil Street #20-03 Prudential Tower Singapore 049712
Industry Consultant	**Frost & Sullivan Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Tax Adviser	**Arnett Consulting, LLC** 1081 Turner Road, Piti, Guam 96915
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance Adviser	**Elstone Capital Limited** Suite 1612, 16/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Corporate headquarters and principal place of business registered under Part 16 of the Companies Ordinance	5th Floor, Nanyang Plaza 57 Hung To Road Kwun Tong, Kowloon Hong Kong
Company's website	*www.saileisuregroup.com* (*The contents on this website do not form part of this Prospectus*)
Company secretary	**Miss CHEUNG Pik Shan Bonnie**, *HKICPA* 5th Floor, Nanyang Plaza 57 Hung To Road Kwun Tong, Kowloon Hong Kong
Audit Committee	Mr. MA Andrew Chiu Cheung *(Chairman)* Prof. CHAN Pak Woon David Mr. CHAN Leung Choi Albert
Remuneration Committee	Mr. CHAN Leung Choi Albert *(Chairman)* Prof. CHAN Pak Woon David Dr. TAN Henry
Nomination Committee	Prof. CHAN Pak Woon David *(Chairman)* Mr. CHAN Leung Choi Albert Dr. TAN Henry
Authorized representatives (for the purpose of the Listing Rules)	**Dr. TAN Henry, BBS., JP** Flat A, 18/F Trafalgar Court 70 Tai Hang Road Hong Kong **Miss CHEUNG Pik Shan Bonnie** 5th Floor, Nanyang Plaza 57 Hung To Road Kwun Tong, Kowloon Hong Kong
Principal Share Registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

CORPORATE INFORMATION

Principal Banks

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Bank of Hawaii, Hagatna Branch
134 W. Soledad Avenue
Hagatna, Guam. 96910

Bank of Hawaii, Gualo Rai Branch
Springs Plaza Chalan
Pale Arnold Road
Saipan, MP 96950

First Hawaiian Bank, Gualo Rai Branch
Pale Arnold Road
Saipan MP 96950

The information and statistics in this section, unless otherwise indicated, are derived from various private and official governmental publications, publicly available sources and the Industry Report, a market research report prepared by Frost & Sullivan and commissioned by us. We believe that the sources of the information in this section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering (other than Frost & Sullivan) or any of their respective directors, advisors and affiliates and they do not give any representations as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

OVERVIEW OF KEY TOURISTS ORIGIN MARKETS

Global

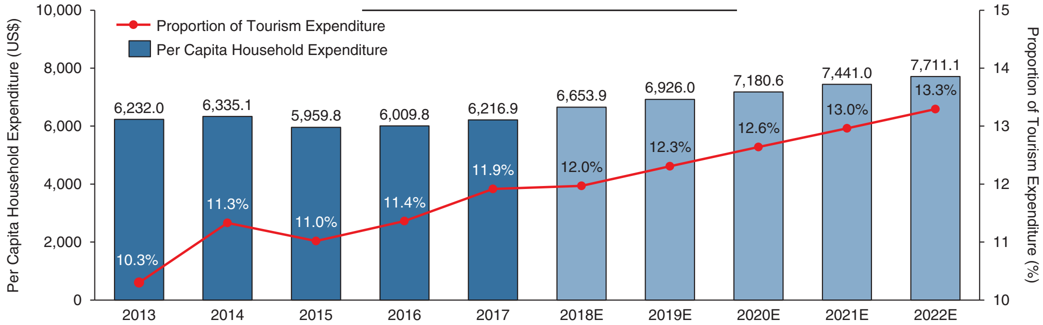
The global economy has seen significant growth since the middle of 2016, primarily driven by (1) economic growth in certain regional markets, such as China, the U.S. and Europe, and (2) recovery in global commodity trade and investment markets. Global nominal GDP and per capita nominal GDP reached US$79.9 trillion and US$10,828.3 in 2017, respectively, representing an annual growth rate of 5.8% and 4.5% from 2016. The global economy is expected to continue to grow in the near future. Global nominal GDP is expected to grow at a CAGR of 6.0% from 2018 to 2022, reaching US$108.5 trillion in 2022, while global per capita nominal GDP is expected to grow at a CAGR of 4.9% from 2018 to 2022, reaching US$13,905.6 in 2022, according to the International Monetary Fund (the "**IMF**").

In line with global economic trends, the global per capita household expenditure also recorded growth in 2016 and reached US$6,216.9 in 2017, with an annual growth rate of 3.4% from 2016, and is expected to further increase to approximately US$7,711.1 in 2022, representing a CAGR of 3.8% from 2018 to 2022. Similarly, the global per capita tourism expenditure reached approximately US$740.8 in 2017, with an annual growth rate of 8.5% from 2016, and is expected to reach approximately US$1,025.1 in 2022, representing a CAGR of 6.5% from 2018 to 2022 according to the World Travel and Tourism Council (the "**WTTC**"). The expected growth is mainly driven by (1) the continuing rise in disposable income, (2) more leisure time available, and (3) improvements in transportation services and increasingly relaxed global visa policies.

The chart below shows the historical and projected global per capita household expenditure and tourism expenditure for the periods indicated:—

Per Capita Household Expenditure and Tourism Expenditure (Global), 2013—2022E

	2013-2017	2018E-2022E
CAGR	-0.1%	3.8%



Sources: World Bank, World Travel & Tourism Council and Frost & Sullivan

The key tourist origin markets in Saipan and Guam are China, South Korea and Japan. An overview of their economy, per capita household expenditure and tourism expenditure is as follows:—

China

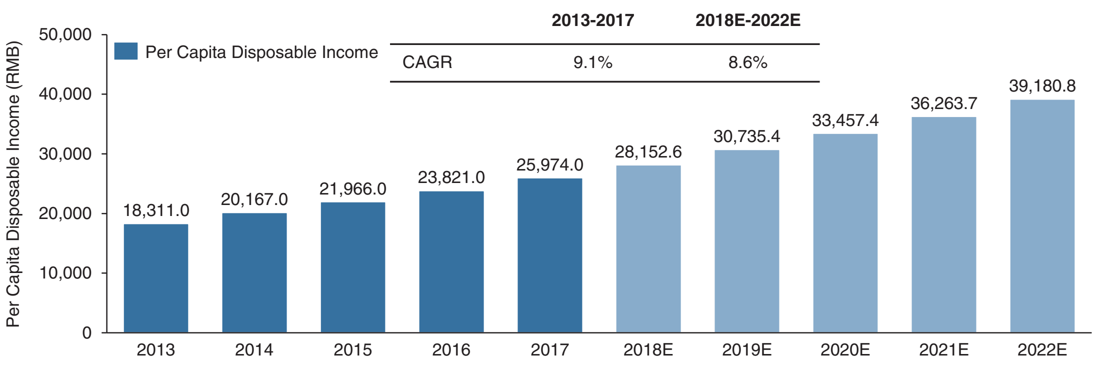
The economy in China grew steadily from 2013 to 2017, and is expected to maintain steady growth from 2018 to 2022. The nominal GDP in China increased from RMB59.7 trillion in 2013 to RMB81.1 trillion in 2017, representing a CAGR of 8.0% from 2013 to 2017, and is expected to further increase to RMB120.8 trillion in 2022, representing a CAGR of 8.2% from 2018 to 2022. Per capita nominal GDP in China also increased from RMB43,871.1 in 2013 to RMB58,333.5 in 2017, representing a CAGR of 7.4% from 2013 to 2017, and is expected to further increase to around RMB84,338.4 in 2022, representing a CAGR of around 7.6% from 2018 to 2022.

In line with the continuous growth in the economy and further urbanization, the per capita annual disposable income increased from approximately RMB18,311.0 in 2013 to approximately RMB25,974.0 in 2017, representing a CAGR of 9.1% from 2013 to 2017, and is expected to increase to around RMB39,180.8 in 2022, representing a CAGR of 8.6% from 2018 to 2022. In addition, the per capita household expenditure in China increased from RMB13,220.4 in 2013 to RMB18,322.0 in 2018, representing a CAGR of 8.5% from 2013 to 2017, and is expected to reach around RMB27,331.0 in 2022, representing a CAGR of around 7.5% from 2018 to 2022.

Driven by (1) the steady economic growth, (2) rising consumption of cultural and recreational goods and services, and (3) growing frequency of international travel among Chinese, the per capita tourism expenditure in China increased from RMB2,363.2 in 2013 to RMB3,887.6 in 2017, representing a CAGR of 13.3% from 2013 to 2017, and accounted for 21.2% of total per capita household expenditure in China in 2017. In 2017, the per capita tourism expenditure in China was US$575.2 (RMB3,887.6), which was significantly below the global average of US$740.8 (RMB5,007.0). It demonstrated the large potential for the growth of the PRC tourism market, which is expected to experience significant growth and outpace the global market. The per capita tourism expenditure in China is expected to further increase to RMB6,486.3 in 2022, representing a CAGR of 10.1% from 2018 to 2022, while the global average per capita tourism expenditure is expected to further increase to around US$1,025.1 in 2022, representing a CAGR of around 6.7% from 2018 to 2022.

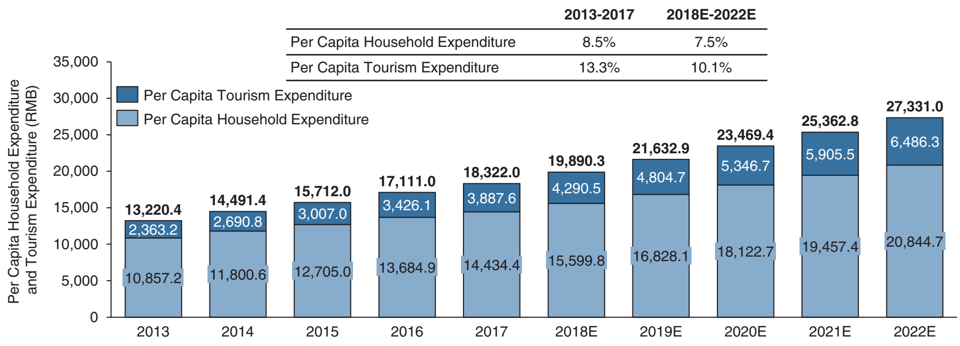
The charts below show the historical and projected per capita disposable income, per capita household expenditure and per capita tourism expenditure in China for the periods indicated:—

Per Capita Disposable Income and Forecast (China), 2013—2022E



Sources: National Bureau of Statistics, IMF and Frost & Sullivan

Per Capita Household Expenditure and Tourism Expenditure (China), 2013—2022E



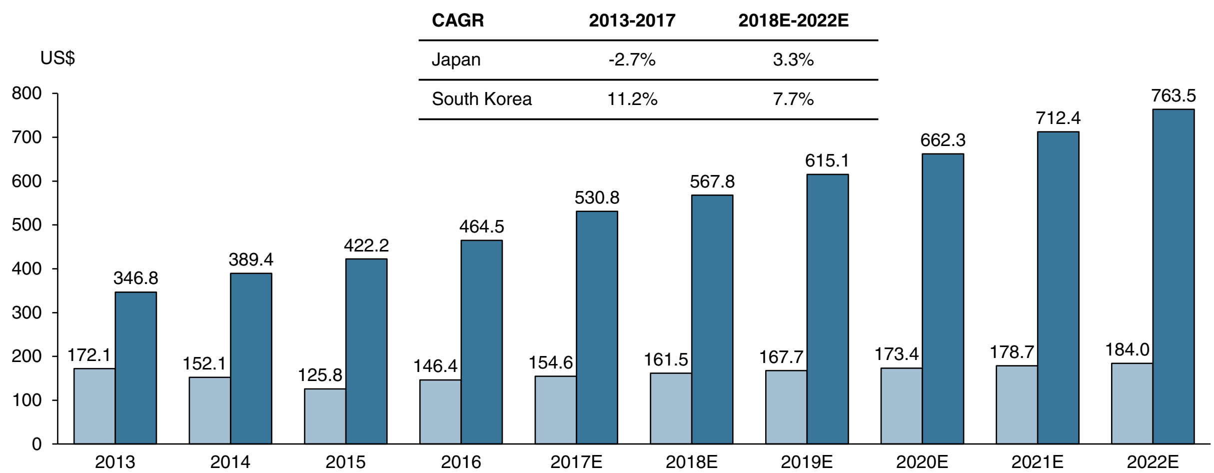
Source: National Bureau of Statistics, National Tourism Administration and Frost & Sullivan

South Korea and Japan

South Korean citizens showed a growing spending pattern on tourism. Per capita tourism expenditure in South Korea increased significantly from US$346.8 in 2013 to US$530.8 in 2017, with a CAGR of 11.2% from 2013 to 2017. The major contributions to this remarkable growth are the increasing value of Korean Won and growing number of routes and destinations of low-cost carriers. It is expected that per capita tourism expenditure in Korea will continue to grow at CAGR of around 7.7% from 2018 to 2022, reaching around US$763.5 by the end of 2022.

From 2013 to 2017, per capita tourism expenditure in Japan recorded a fall from US$172.1 in 2013 to US$154.6 in 2017, representing a CAGR of -2.7% from 2013 to 2017, which is in line the trend of overall per capita expenditure in Japan. It is expected that with the growth in national economy of Japan, per capita tourism expenditure will rise at a CAGR of around 3.3% from 2018 to 2022, to record US$184.0 in 2022.

Per Capita Tourism Expenditure in Japan and South Korea, 2013-2022E



Source: World Bank, Statistics Bureau of Japan, Statistics Korea, Frost & Sullivan

LEISURE TOURISM MARKET IN SAIPAN AND GUAM

Overview

Tourism represents travel for a variety of purposes, including leisure, business, visiting friends and relatives, health and other purposes. Over the past few years, leisure tourism is the largest and fastest-growing tourism sector in Saipan and Guam with their tourism-focus economies, favorable government policies and rising tourism expenditures globally and in their key tourist origin markets such as China, South Korea and Japan. The leisure tourism market in Saipan and Guam can be primarily divided into (1) hotels and resorts, (2) transportation, (3) food and beverage, (4) entertainment, (5) travel rental, and (6) other services. Hotels and resorts is one of the largest segments of the tourism industry in Saipan and Guam, with a market share of 24.8% and 31.6%, respectively, in terms of revenue in 2017.

Leisure tourism market in Saipan

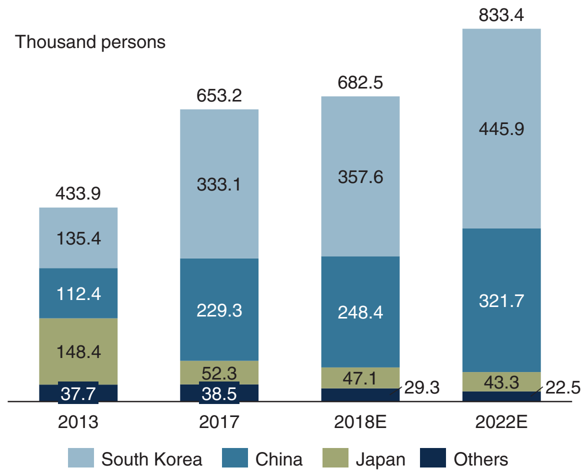
Saipan is the largest city of the CNMI, which is a U.S. territory and one of the islands located in the Western Pacific Region. The economy of the CNMI grew in the past few years, in particular in Saipan, mainly driven by the strong performance of its leisure tourism market. It is well-known for its historical remains of the battle sites during World War II and numerous U.S. and Japanese bunkers and armaments can still be found on the islands. Besides, aquatic activities, such as scuba diving and snorkeling, are also one of the popular activities among leisure travelers in Saipan.

Chinese, South Korean and, to a lesser extent, Japanese tourists, contributed as the largest source of overseas tourists in Saipan. There are direct flights available from Tokyo, Nagoya, Seoul, Busan, Manila, Hong Kong, Shanghai, Guangzhou and Beijing to the Saipan International Airport. The Guam-CNMI Visa Waiver Program published by the United States Customs and Border Protection in 2009 and a conditional parole policy of the CNMI allow Chinese, South Korean, Japanese, Russian citizens, among others, to enter the CNMI without a visa. With more international visitors arriving at Saipan for vacations, the leisure tourism market in Saipan has been growing and is expected to growth in the future.

Leisure tourism data in Saipan

The total number of tourist arrivals in Saipan has recorded a continuous increase since 2013, from around 433,900 in 2013 to around 653,300 in 2017, representing a CAGR of 10.8% during the period. In 2013, Japanese tourists contributed to the largest source of visitors in Saipan (34.2%), while in 2017, South Korean tourists surpassed as the largest source of visitors in Saipan (51.0%). Favored by (1) the visa-free policy to Chinese and South Korean residents, (2) increasing direct flights from Chinese and South Korean cities, such as Shanghai and Seoul, and various second-tier cities, to Saipan operated by both traditional airlines and low-cost carrier airlines, and (3) a series of overseas promotion activities by the CNMI government, it is expected that Chinese and South Korean visitors will both become the largest source of tourists in the coming years. By the end of 2022, the total number of tourist arrival in Saipan is projected to reach around 833,400, growing at a CAGR of 5.1% from 2018 to 2022.

Breakdown of visitors' country of origin (Saipan), 2013, 2017, 2018E and 2022E

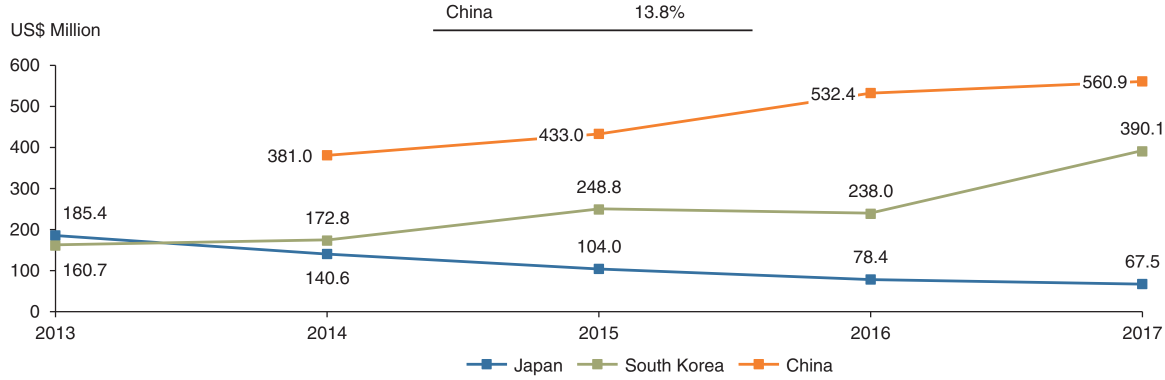


Note: Total arrivals include air arrivals, civilian sea arrivals and armed forces sea arrivals.
Source: Mariana Visitors Bureau, Frost & Sullivan

Attributed to the increasing number of Chinese travelers and the consistent economic growth in China, the total expenditure by Chinese travelers in Saipan remained the highest as compared against travelers from other counties, with a CAGR of around 13.8% from 2013 to 2017. Meanwhile, with the rising number of South Korean travelers arriving in Saipan, the total expenditure of South Korean travelers increased from US$160.7 million in 2013 to US$390.1 million in 2017, representing a CAGR of 24.8% from 2013 to 2017. In view of the relaunch of direct flights between Japan and Saipan, it is expected that the total expenditure of Japanese travelers in Saipan will rebound in the near future.

The expenditure of travelers by origins (Saipan), 2013-2017

CAGR	2013-2017
Japan	-22.3%
South Korea	24.8%
China	13.8%



Source: Mariana Visitors Bureau, Frost & Sullivan

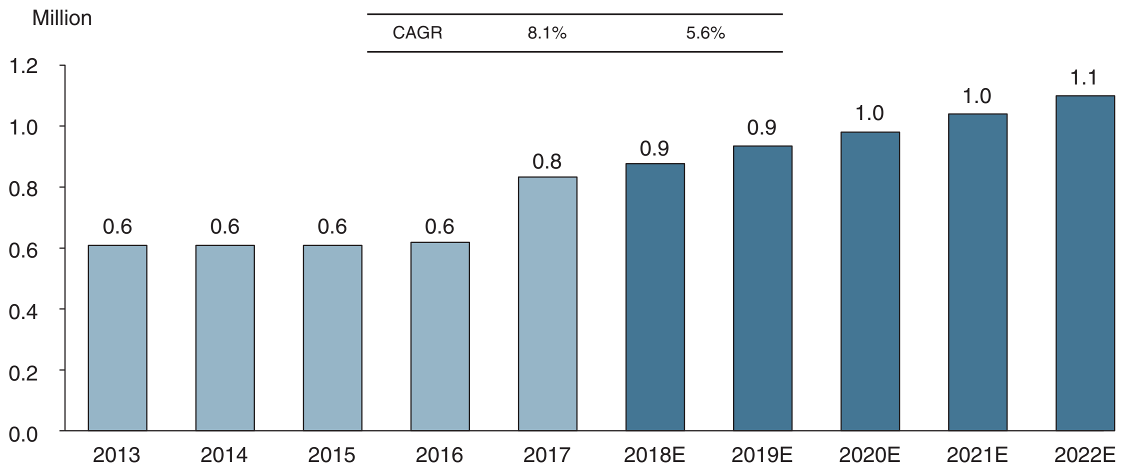
Available airline seats to Saipan

According to the statistics published by the Mariana Visitors Authority, despite a certain number of Japanese airlines having suspended their direct flights to Saipan, which led to a decline in available airline seats of Japanese airlines from 187,885 in 2013 to 61,813 in 2017, the overall number of available airline seats to Saipan has grown at a CAGR of 8.1% from 2013 to 2017. In particular, favored by the rapid emergence of low-cost carriers and new city pairs (e.g., Busan and Jeju) in South Korea, the number of airline seats provided by South Korean airlines doubled from 211,364 in 2013 to 463,656 in 2017, representing a CAGR of 21.7% from 2013 to 2017. Additionally, favored by the visa-free policies in Saipan and the growing number of Chinese city pairs (e.g., Hangzhou and Guangzhou), the number of available airline seats provided by Chinese airlines has shown a steady increase at a CAGR of 7.8% from 2013 to 2017, increasing from 114,890 in 2013 to 154,966 in 2017. From 2018 to 2022, the number of available airline seats to Saipan is expected to grow at a CAGR of 5.6%. The Saipan International Airport has not reached its full capacity. With additional upgrade and expansion planned by the local government (certain facilities upgrade is targeted to be completed by 2021), the Industry Consultant expects that the airport will be able to accommodate additional direct flight connections to/from Saipan.

Available airline seats (Saipan), 2013-2017

Available airline seats (Saipan), 2013-2022E

	2013-2017	2018E-2022E
CAGR	8.1%	5.6%

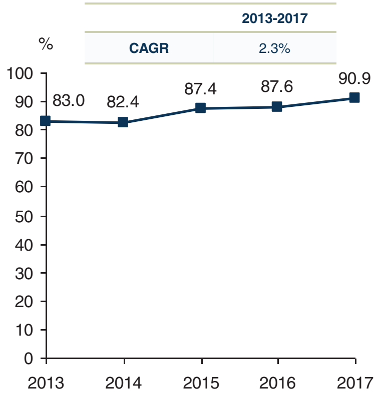


Source: Mariana Visitors Bureau, Frost & Sullivan

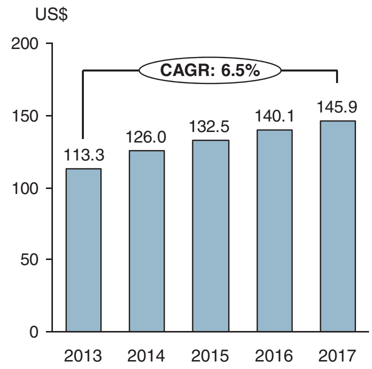
Key hotels and resorts operating metrics

Complemented with the growing number of tourists to Saipan, the demand for hotels and resorts rooms has increased in the past 5 years. The average hotels and resorts occupancy rate grew at a CAGR of 2.3%, from an overall occupancy rate of 83.0% in 2013 to 90.9% in 2017. Since some of the inbound flights to Saipan and the outbound flights are scheduled in late-evenings and early-mornings, some hotels and resorts have recorded an occupancy rate of more than 100% during peak seasons, implying that a hotels or resorts room has served 2 sets of guests within a day. To cater for the increasing demand for hotel rooms, the number of available rooms in Saipan increased at a CAGR of 6.4%, from around 2,327 units to around 2,980, from 2013 to 2017. The average daily rates of hotels and resorts rooms have also increased from US$113.3 per night in 2013 to US$145.9 per night, representing a CAGR of 6.5%. Due to the growing number of tourist arrivals, there is an under-supply of available rooms during peak seasons, in particular higher-end rooms due to the limited number of accommodation facilities in the up-market segment and the global tourist preference for premium holiday experiences. Major participants in the hospitality industry in Saipan are local and regional hotel operators who have in-depth local knowledge and close connection with airlines and local tour operators and travel agents.

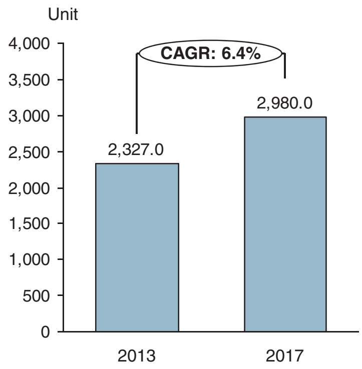
Average hotels and resorts occupancy rate (Saipan), 2013-2017



Average daily rates of hotels and resorts rooms (Saipan), 2013-2017



Total number of available hotels and resorts rooms (Saipan), 2013 and 2017*



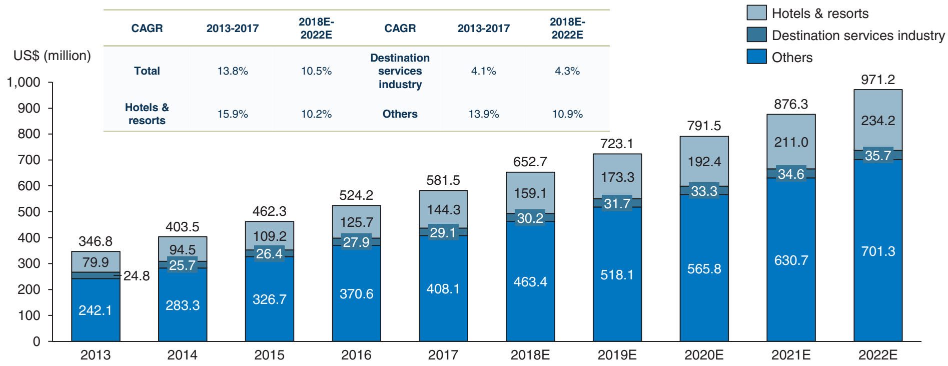
Source: CNMI Department of Commerce, Frost & Sullivan

Market size

The influx of both Chinese and South Korean travelers to Saipan has brought about a positive growth to the local leisure tourism market, especially the hotels and resorts industry. The overall revenue generated in the local leisure tourism market of Saipan increased at a CAGR of 13.8% from 2013 to 2017, from US$346.8 million in 2013 to US$581.5 million in 2017. Owing to the rising occupancy rate, average hotel room rates and the number of available hotel rooms, the revenue generated in the hotels and resorts industry soared from around US$79.9 million in 2013 to around US$144.3 million in 2017, representing a CAGR of 15.9% from 2013 to 2017.

Looking forward, underpinned by a number of favorable market drivers, such as tourism-driving government policies, increasing flight connections, rising disposable income in key origin markets such as China and South Korea, wide catchment area capturing over 1.5 billion population within a 5-hour flight radius, and growing prevalence of online booking engines which accelerate the development of Saipan as popular beach holiday destination, the leisure tourism market in Saipan is likely to grow prosperously in the upcoming years and contribute a significant portion to Saipan's economy. The overall industry is estimated to reach around US$971.2 million by the end of 2022 in terms of revenue, representing a CAGR of around 10.5% from 2018 to 2022. The hotels and resorts industry is forecasted to serve an important role in Saipan's leisure tourism industry, with an estimated CAGR of 10.2% from 2018 to 2022, reaching US$234.2 million by the end of 2022. On the other hand, with more exotic water sports and sightseeing tours being offered to visitors, the destination services industry in Saipan has seen a constant growth since 2013, from around US$24.8 million in 2013 to around US$29.1 million in 2017, representing a CAGR of 4.1% from 2013 to 2017. With more local activities receiving support and promotion from the local government, such as the annual triathlon race and eco tours to the Bird Island, it is believed that the revenue generated in the destination service industry will reach around US$35.7 million by the end of 2022, growing at a CAGR of 4.3% from 2018 to 2022.

Revenue of Leisure Tourism Market (Saipan), 2013-2022E



Source: Frost & Sullivan

Market Drivers

Direct flight connections. An increasing number of airlines are offering direct passenger and chartered flights to Saipan. For example, China Eastern Airlines offers direct flights between Beijing and Saipan 3 times a week. Other airlines that are low-cost carriers also provide direct flights to Saipan, such as T'way Air which provides regular daily flights between Seoul and Saipan. The growth in direct passenger flights provides a huge potential for the number of tourist arrivals in Saipan and accelerates the growth of Saipan's leisure tourism market by substantially boosting Saipan's global profile as a tourism destination. With more connections between Saipan and other major Asian international hubs and second-tier cities, these presents a great opportunity to attract foreign investment in Saipan's tourism businesses, which is expected to further drive the growth in Saipan's leisure tourism market in the future.

Rising disposable income in the Asian Pacific region. Benefited from a stable global economic growth over the past few years, the living standards and disposable income in the Asian Pacific regions have improved and people are more willing to spend money on overseas holidays. Since it only takes several hours to reach Saipan from major Asia Pacific cities, Saipan has become one of the popular holiday destinations and has attracted a significant number of Asia Pacific visitors. This favors the growth of the leisure tourism market in Saipan.

Growth of premium products and services. With the improvement in living standards and greater availability of leisure time in emerging countries and regions such as China and South Korea, customers in the global leisure tourism market increasingly prefer premium products and services to create convenient and comfortable tourism experiences, which have led to the development of higher-end accommodation that pay greater attention to hygiene and safety and a corresponding growth in market rates and traveler spending on accommodation.

Market trends and opportunities

Growth of Chinese and South Korean travelers visits. The promising growth in the Chinese and South Korean economic environment has also encouraged young and affluent Chinese and South Korean visitors to spend more money on traveling and export other unique cultural experiences. With more frequent and cheaper direct flights are available from China and South Korea to Saipan nowadays, as well as the easing of visa restrictions imposed on Chinese travelers, it becomes more convenient for both Chinese and South Korean travelers to visit Saipan, which serves as a great economic opportunity to capture a portion of the China's and South Korea's outbound visitors' market and drives the development in leisure tourism market in Saipan.

Emerging trend of online bookings. The widespread application of internet and mobile devices fuels the online bookings for travel products and services. As a significant consumer group in leisure tourism market, the millennial generation tends to make reservations of individual travel components online and share travel experience over social media, due to the efficiency and transparency of these channels. The popularity of online travel bookings has given rise to the new business models including online travel agencies (OTA) and e-commerce service providers, which is expected to serve as a driver to the leisure tourism market in Saipan.

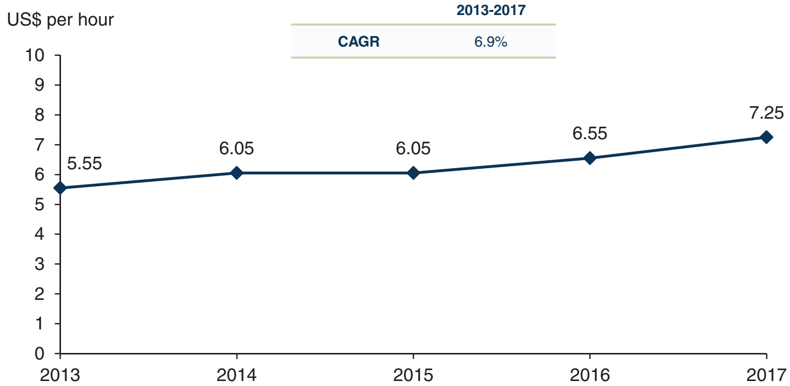
Promotion of sustainable tourism. Eco-tourism is one of the common categories of sustainable tourism. According to United Nations Educational, Scientific and Cultural Organization, eco-tourism refers to a form of tourism visiting relatively undisturbed natural areas for the main purposes of admiring them. With an abundance of unique natural assets in Saipan, there are various tours offering a range of traditional nature-based activities, such as snorkeling, bird-watching, jungle tours and wildlife interactions, to travelers. As outlined in the Northern Mariana Islands Tourism Master Plan 2012-2016 published by Marians Visitor Authority, it is expected that more natural sightseeing attractions will be established and eco-tourism will become one of the key development trends in the Saipan leisure tourism market.

Cost analysis

The major cost component of the leisure tourism market in Saipan is labor cost. The overall minimum labor price in Saipan has shown an overall increase since 2013. It increased from US$5.55 per hour in 2013 to US$7.25 per hour in 2017, representing a CAGR of 6.9% from 2013 to 2017.

Minimum labor price (Saipan), 2013-2017

	2013-2017
CAGR	6.9%



Source: CNMI Department of Labor, Frost & Sullivan

Market threats

Under-supply of hotels and resorts rooms. The number of visitors' arrival from China and South Korea to Saipan has increased tremendously since 2013. According to the Marianas Visitors Authority, visitors from China and South Korea have increased by approximately 158% and 58% respectively in the past 5 years. However, the supply of hotel rooms is limited on the island, resulting in under-supply of hotel rooms. In order to cater to the increasing demand for on-island accommodations, renovation and construction must be carried out to increase the supply of hotels and resorts room inventory and service offering. Coupled with rising income level of key tourist origins of China and South Korea, increasing flight connections as well as rising global tourism spending, the hotels and resorts industry is set to experience an over-demand and a growth in market room rates. There is in particularly a shortage of supply in up-market hotels and resorts rooms.

Increased competition in local accommodation services. The emergence of Airbnb, which is an online lodging platform that local hosts rent their homes to travelers for accommodation, in Saipan has intensified the competition between conventional hotel industry and local accommodation services domestically. In particular, since the hotel capacity in Saipan is relatively limited, especially during peak demand seasons, a competitive room rates provided by Airbnb may pose as a challenge and affect the room rates of its counterparts in Saipan.

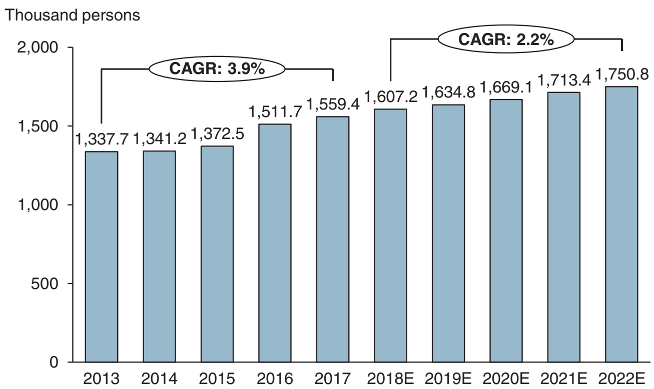
Leisure tourism market of Guam

Tourism and hospitality industry is one of the major segments of Guam's economy and Guam has been developed into a popular beach holiday destination since the 1980s. The provision and growth of hotels, restaurants, airlines, tourist attraction facilities, tour companies, shopping sites and other related services have contributed to a bulk of the territory's non-government income. According to Guam Visitors Bureau, visitors spending has directly and indirectly supported more than 21,000 jobs, which accounted for 26% of all employment of Guam in 2017.

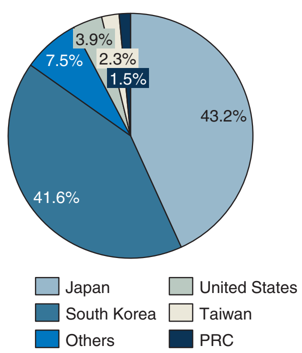
Leisure tourism data in Guam

Driven by the expanding number of tourists from South Korea and China, the number of total tourist arrivals to Guam increased from 1.3 million in 2013 to 1.6 million in 2017, representing an overall CAGR of 3.9% during the period. In 2017, Japanese tourists was the largest source of visitors to Guam, at 43.2% from 2013 to 2017. The increased frequency of direct flights between South Korea and Guam has further boosted the number of South Korean tourists. Compared to 2016, the number of South Korean tourists nearly increased by a quarter in 2017, and became the second largest source of visitors to Guam in the same year. Given that several airlines, such as United Airlines and Japan Airlines, have already increased the frequencies of flights between various destinations and Guam, coupled with the growth in number of flights operated by low-cost carrier airlines, the number of total tourist arrivals in Guam is expected to reach 1.8 million people by the end of 2022, representing a CAGR of 2.2% from 2018 to 2022.

Number of total visitors' arrivals (Guam), 2013-2022E



Breakdown of visitors' place of residence (Guam), 2017

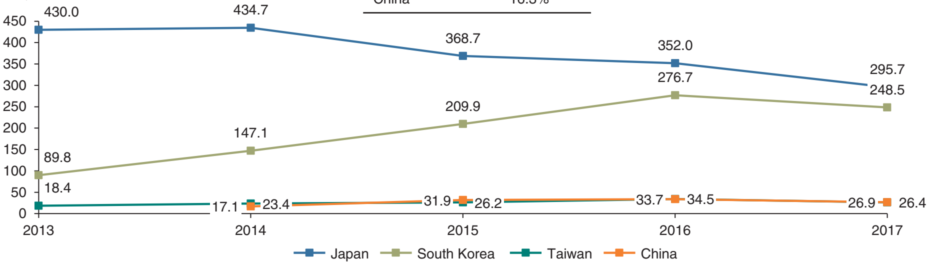


Note: Total arrivals include air arrivals, civilian sea arrivals and armed forces sea arrivals.
Source: Guam Visitors Bureau, Frost & Sullivan

From 2013 to 2017, Japanese travelers ranked #1 in terms of total expenditure but showed a steady decline from US$430.0 million in 2013 to US$295.7 million in 2017, representing a negative CAGR of -8.9% from 2013 to 2017. South Korea remained the second with a high CAGR of 29% from 2013 to 2017 to reach US$248.5 million in 2017. The total expenditure of travelers from Taiwan increased from US$18.4 million in 2013 to US$26.4 million in 2017, representing a CAGR of 9.6% from 2013 to 2017. Recent years have also witnessed a booming number of Chinese travelers, with the total expenditure by Chinese travelers growing steadily during the period from 2013 to 2017 at a CAGR of 16.3% to record US$26.9 million in 2017. Rise in disposable income and improvements in living standards have brought plenty of opportunities for the travel retail market. Furthermore, the growing expenditure of international travelers in Guam drives the development of luxury retail brands and merchandises.

Total expenditure of travelers by originations, 2013-2017

CAGR	2013-2017
Japan	-8.9%
South Korea	29.0%
Taiwan	9.6%
China	16.3%



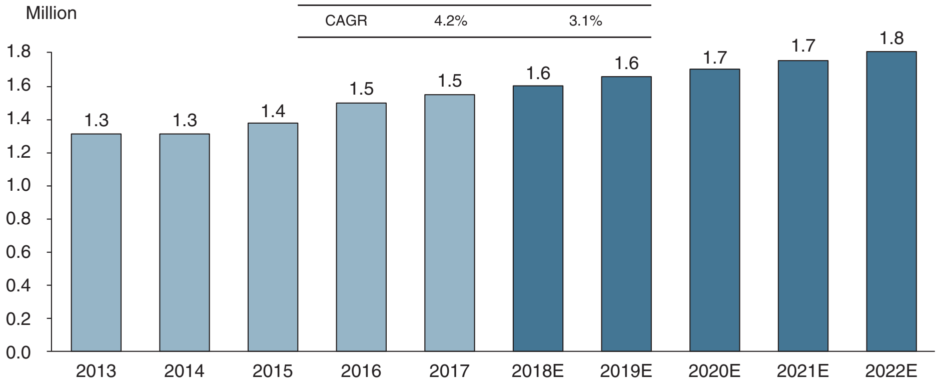
Note: No official data are available for Chinese travelers' expenditure in 2013.
Source: Guam Visitors Bureau, Frost & Sullivan

Available airline seats to Guam

According to the statistics published by the Guam Visitors Bureau, despite a certain number of Japanese airlines having suspended their regular direct flights to Guam during the year of 2017, these airlines have launched various chartered flights subsequently to cater to the seasonal tourists demand from Japan. As a result, the overall number of available airline seats to Guam has grown at a CAGR of 4.2% between 2013 and 2017. In particular, with the rapid emergence of low-cost carriers and new city pairs (for example, Seoul and Busan) in South Korea, the number of tourist arrivals from Korea has increased significantly from 232,850 in 2013 to 684,443 in 2017, representing a CAGR of 31.0% from 2013 to 2017. From 2018 to 2022, the number of available airline seats to Guam is expected to grow at a CAGR of 3.1%.

Total air arrivals (Guam), 2013-2022E

	2013-2017	2018E-2022E
CAGR	4.2%	3.1%

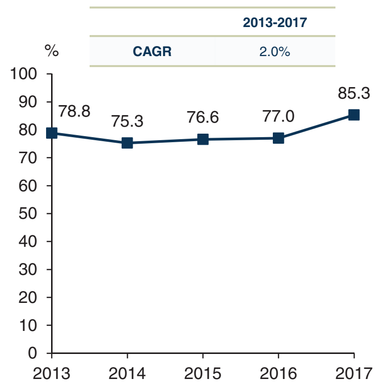


Source: Guam Visitors Bureau, Frost & Sullivan

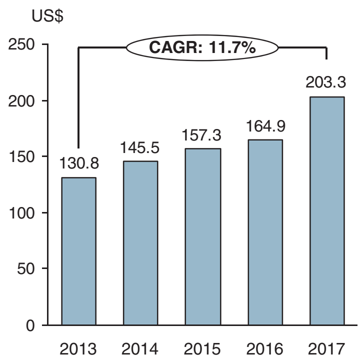
Key hotels and resorts operating metrics

Benefited from these strong performance of the leisure tourism market, particularly the surge in number of tourists to Guam, the hotels and resorts industry has attained a promising growth in the past 5 years. According the Guam Visitors Bureau, the average hotels occupancy rate increased from approximately 78.8% in 2013 to approximately 85.3% in 2017, representing a CAGR of 2.0% from 2013 to 2017. Participants in the hotels industry likely faced more intense competition with presence of international chains over the past years, with an increase in the number of available hotel rooms from 8,443 units in 2013 to 8,883 units in 2017, representing a CAGR of 1.3% from 2013 to 2017. The average daily rates of hotels and resorts rooms have grown at a CAGR of 11.7%, with a drastic increase from approximately US$130.8 per night in 2013 to approximately US$203.3 per night in 2017.

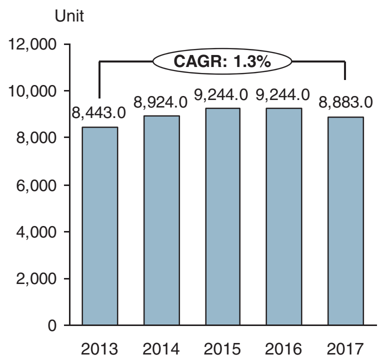
Average hotels occupancy rate (Guam), 2013-2017



Average daily rates of hotel rooms (Guam), 2013-2017



Total number of available hotel rooms (Guam), 2013-2017



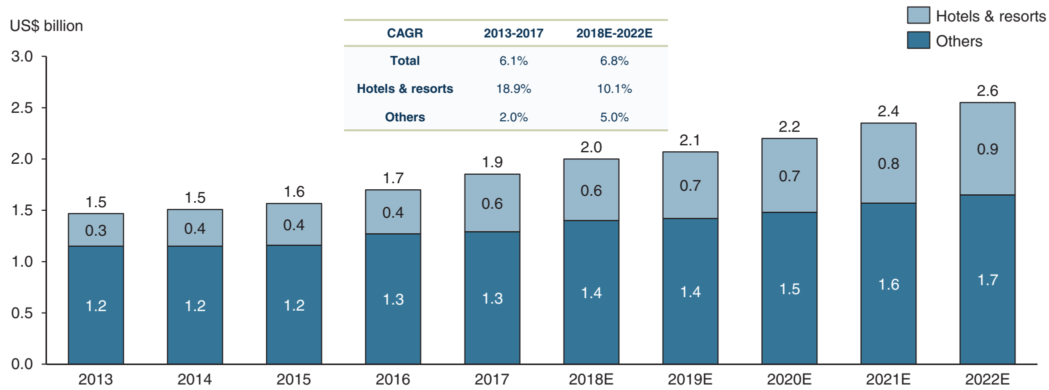
Source: Guam Visitors Bureau, Frost & Sullivan

Market size

The sustained growth in the number of South Korean and Chinese visitors has correspondingly led to a growth of the leisure tourism market in Guam since 2013. The estimated revenue generated in the leisure tourism market in Guam recorded US$1.5 billion in 2013 and escalated to US$1.9 billion in 2017, representing a CAGR of 6.1% from 2013 to 2017.

Bolstered by supportive government policies and increased direct flights from Japan and South Korea, together with the increase in number of overall tourist arrivals, the revenue generated in the leisure tourism industry is expected to increase. By the end of 2022, it is expected that the market size of Guam's leisure tourism industry will reach around US$2.6 billion in terms of revenue, representing a CAGR of around 6.8% from 2018 to 2022. Particularly, the hotels and resorts industry in Guam has grown at a tremendous CAGR of 18.9% from 2013 to 2017 mainly due to a drastic surge in the number of tourists to Guam, so that the revenue of the hotels and resorts industry is estimated to increase from US$0.3 billion to around US$0.6 billion from 2013 to 2017. It is projected that the continuous growth in the number of tourists in Guam will further boost the revenue of the hotels and resorts industry, reaching an estimated revenue of around US$0.9 billion by the end of 2022, representing a CAGR of around 10.1% from 2018 to 2022.

Revenue of Leisure Tourism Market (Guam), 2013-2022E



Source: Frost & Sullivan

Market drivers

Capacity and flight connections. A number of international airlines have planned expansions of seat capacity or new regular and seasonal flights between Guam and various Asian capitals and second-tier cities. For example, both United Airlines and Japan Airlines have recently announced plans to upgauge their flights between Tokyo and Guam to widebody aircrafts which will significantly increase the number of available airline seats between the city pair. The leisure tourism industry in Guam is expected to be further driven and benefit from increasing available flight connections between Guam and Asia.

Collaboration with travel agents and airlines. To further enhance customers' experiences in planning their trips ahead, apart from retail travel agencies, it is not uncommon that airlines now partner with local accommodation services operators to provide holiday packages. Holiday packages refers to transport and accommodation that are sold as a bundle by tour operators, such as combined flight tickets, transfers and accommodation. Other services, such as rental cars and sightseeing activities, are also available in today's holiday packages. Benefited from the collaboration with tour operators and airlines, hotels and resorts occupancy can be maintained during low seasons and service providers can take the opportunity to make extra profits. Therefore, the increased public reception for package tours serves as a growth driver of the leisure tourism market in Guam.

Long-term investment in government policy. As outlined in Tourism Plan 2020 by Guam Visitors Bureau, the local government has clear objectives to promote further growth of the leisure tourism market in Guam, including raising nearly 20% of its room inventory to meet the heightened demand of rising number of visitors, upgrading existing tourism products that supports the needs of different travelers, and establishing a hospitality training institute to develop Guam's workforce that enables Guam to remain competitive. With a long-term target envisioned by the local government, it is predicted that there will be a prosperous growth in Guam's leisure tourism industry in the future.

Market trends and opportunities

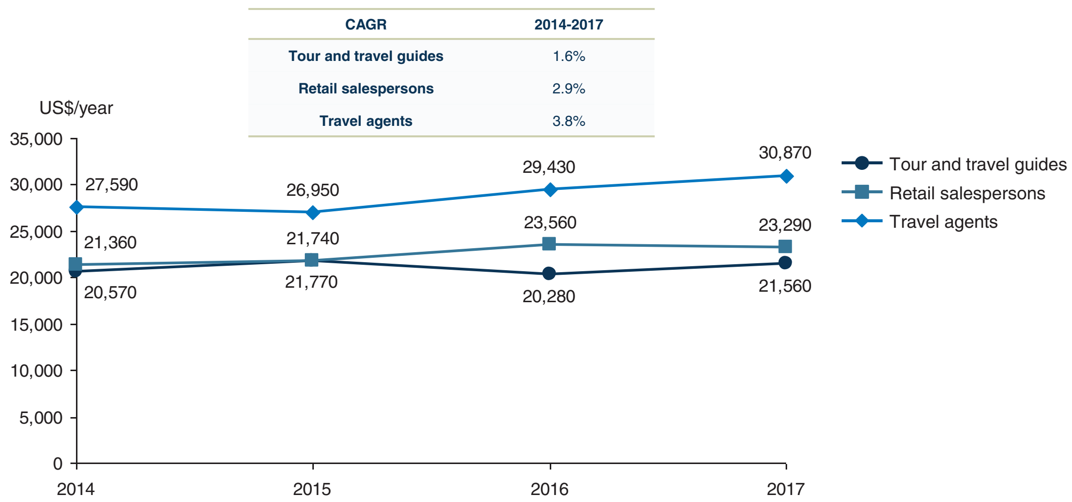
Preference towards online travel bookings. Travelers usually prefer to individualize their trip experience based on their personal preferences or past behaviors. Personalized online travel bookings, such as flight tickets and hotel and resort operators' own websites, are one of the trending options in the leisure tourism market. The prevalence of online booking, especially trip planning using mobile devices, has been widely accepted among the millennials as they can conduct research for activities or attractions efficiently when compared to visiting traditional, physical travel agencies. In addition, the development of online bookings has afforded more flexibility to travelers, which leads to a greater propensity to last-minute bookings. It is expected that online travel bookings will continue to penetrate the leisure tourism industry and bolster the development of the market.

Upgrade in hotel facilities. Guam has been one of the popular beach holiday destinations for its renowned resorts and exotic indigenous Chamorro culture. The growing number in tourist arrivals from diversifying markets have heightened the demand for hotels and resorts rooms. However, the availability of upper-scale luxury hotels is insufficient during peak seasons and it is necessary to have capacity to handle the targeted increase in visitor arrivals during such period. In order to remain competitive in the regional and global market, the State Government of Guam has launched tax incentives programs for existing hotels and resorts owners to refurbish, renovate, repair and upgrade their facilities. It is believed that by adding a higher-end hotel to the existing offerings of hospitality industry in Guam, the overall quality of room inventory and the island's tourism image can be further enhanced. The upgrade in facilities may also attract other potential non-leisure visitors, such as business travelers, to organize business conventions, meetings and conferences. Accordingly, upgrade in hotel facilities is now one of the rising trends in Guam and serves as a driver to the leisure tourism market.

Cost analysis

Effective from January 1, 2018, the current state minimum wage in Guam is US$8.25 per hour. According to the Bureau of Labor Statistics of the United States Department of Labor, the average annual wages in hospitality sector has shown an overall increase during the period of 2014 to 2017. In particular, the average annual wages of travel agents have recorded significant increase from US$27,590 in 2014 to US$30,870 in 2017, representing a CAGR of 3.8% from 2013 to 2017. Although the average annual wages of tour and travel guides fluctuated over the period, the overall mean of annual wages grew at a CAGR of 1.6% from 2013 to 2017, reaching US$21,560 in 2017.

Average annual wages in hospitality sector (Guam), 2014-2017



Notes:

(1) Figures are only available from 2014 to 2017.

(2) Data is extracted from the United States Department of Labor under occupation code 39-7010/39-7011 Tour and Travel Guides, 41-2031 Retail Salespersons and 41-3041 Travel Agents.

Source: United States Department of Labor, Frost & Sullivan

COMPETITIVE LANDSCAPE

Leisure tourism market in Saipan and Guam

The leisure tourism market in Saipan and Guam has a number of industry participants including travel agents, airlines, hotel and resort operators, destination services providers. The overall leisure tourism market is competitive. There is a number of leisure tourism establishments originated from various countries. In Guam, over 80% of the travel operators originated from South Korea and Japan whereas travel operators in Saipan primarily originated from South Korea and China. With the dynamic growth of traveler expenditure underpinned by the positive economic development in the Asia Pacific region, China has in particular been one of the vital source market especially in Saipan. Also, as disposable income continued to rise in China, Chinese tourists have been able to afford more premium leisure tourism products and services. As a result, the growing number of Chinese tourists has been affording the strong growth momentum for the Saipan leisure tourism market which benefits all Chinese hotel operators, local tours operators and travel retailers in Saipan.

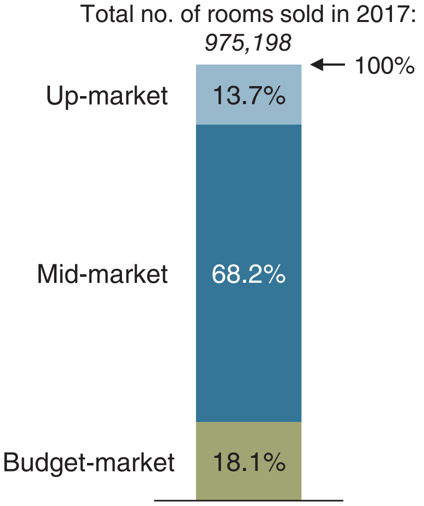
Integrated tourism operators provide comprehensive leisure tourism services to tourists including accommodation, food and beverages, destination services and excursion tours. Most integrated tourism operators in Saipan and Guam are hotel and resort operators which offer accommodation, food and beverages, destination services and travel retail. We are considered as the leading leisure tourism group in Saipan and Guam without any significant competitor offering a more comprehensive scope of services. In Saipan, our Group accounted for 9.8% of the total revenue of the leisure tourism market in 2017.

Hotels and resorts industry

Market overview

Between 2018 and 2022, tourist arrivals in Saipan and Guam are projected to grow on a CAGR basis at 5.1% and 2.2%, respectively. These 2 markets are set to benefit from a number of common market drivers, such as favorable tourism-driving government policies, increasing flight connections, rising disposable income in key origin markets such as China and South Korea, wide catchment area capturing over 1.5 billion population within a 5-hour flight radius, and growing prevalence of online booking engines which accelerate the development of Saipan and Guam as popular beach holiday destinations and drive the growth on its hotels and resorts industry.

Based on the average room rates (ARR) in Saipan, the hotels and resorts industry can be broadly segmented as follows:-



Market Segmentation of the Hotels and Resorts industry in Saipan

Up-market (ARR: US$170 or above) players are usually full-serviced luxurious resorts.

Mid-market (ARR: US$80 to $170) players are usually family-styled resorts and business hotels.

Budget market (ARR US$80) players are usually budget hotels, hostels, motels and bed and breakfast inns which also include private "shared accommodation" such as Airbnb.

Source: Frost & Sullivan

The hotels and resorts industry in Guam are largely classified based on the ARR bands set out above. In classifying the market in Saipan and Guam, Frost & Sullivan has compared retail room rates against other factors such as market share, traveler spending pattern in Saipan and Guam, marketing positioning and branding, hospitality offering, nature of accommodation (for example, resorts *vis-a-vis* "shared accommodation") and market feedbacks. Up-market and mid-market hotels and resorts are typically priced near the top of the relevant industry ARR, not discounted and tend to target at middle to upper-income traveler groups. They tend to be associated with hospitality brands known for high quality, positive guest feedbacks, contemporary room decoration and hospitality offering, high standards of maintenance and service, as well as the provision of "soft" service such as early check-in, late check-out and complimentary upgrades for loyal and higher-spending guests.

Saipan

In Saipan, there are around 50 hotels and resorts across various market segments competing for 653,000 arriving tourists, of which over 10 operates in the mid-market segment or above. There is particularly a shortage of supply in the up-market segment, with less than 2 hotels and resorts achieving an ARR of US$170 or above. These up-market establishments generally have a satisfactory operating performance due to the rising number of tourists, global tourist preference for premium holiday experiences, and the overall under-supply of accommodation in Saipan which drive up market room rates. The under-supply of hotels and resorts, particularly in the up-market segment, is expected to drive market rates and lead to a CAGR growth of 10.2% from 2018 to 2022 in the hotels and resorts industry. Similar to the global hospitality market, the hotels and resorts in Saipan compete on price, location, brand recognition and service offering. With the growing prevalence of online booking channels which significantly enhance pricing transparency, and as global tourist becoming more willing to spend on premium holiday experiences, the competitive landscape has become more dynamic.

In 2017, *Fiesta Resort Saipan* topped the hotel market in Saipan with a market share of 15.1% in terms of total number of rooms sold and 23.1% in terms of total revenue. *Kanoa Resort* and *Century Hotel* ranked 6th and 10th with market shares of 9.7% and 0.9% respectively in terms of revenue. The 3 hotels of our Group combined with a market size of 24.5% in terms of number of rooms sold and 33.7% in terms of revenue in Saipan which was the #1 market player in Saipan's hotels and resorts industry by revenue, number of properties and number of rooms sold.

Hotels & Resort Operators in Saipan

Rank	Hotel	Average Room Rate in 2017	RevPAR	No. of Rooms Sold in 2017	Average Occupancy Rate	Market Share by no.of Room Sold	Total Revenue	Market Share by Revenue
		(US$)	*(US$)*				*(US$ million)*	
1	Fiesta Resort Saipan	149.4	144.6	146,933	96.8%	15.1%	33.3	23.1%
2	An up-market, international branded resort	192.2	170.8	102,753	88.9%	14.5%	19.7	13.7%
3	An up-market resort	165.9	176.8	100,735	106.6%	10.5%	16.7	11.6%
4	A mid-market resort	162.8	142.1	96,973	87.3%	10.3%	15.8	10.9%
5	A mid-market resort	109.2	99.1	141,051	90.7%	9.9%	15.4	10.7%
	Top 5			**588,445**	**94.0%**	**60.3%**	**100.9**	**69.9%**
6	Kanoa Resort Saipan	111.6	109.0	79,868	97.7%	8.2%	14.0	9.7%
10	Century Hotel	87.7	85.0	11,664	96.8%	1.2%	1.3	0.9%
	All hotels and resorts in Saipan			**975,198**	**90.6%**	**100%**	**144.3**	**100%**

Source: Frost & Sullivan

Guam

In Guam, over 50 properties were competing for 1.6 million arriving tourists in 2017. Competition is particularly intensified with the presence of a number of internationally branded operators, which constantly give its peers pricing pressure. This is evidenced by, compared to Saipan, a lower market occupancy rate of 85.3% and higher market ARR of US$203.3 in 2017. Hotels and Resorts also compete on price, location and service offering in Guam, with a particular focus on brand recognition which usually translates to a larger customer base and higher room rate commanding power. In terms of revenue of the entire leisure tourism market in Guam, we had a market share of 1.7% in 2017.

In 2017, *Fiesta Resort Guam* is one of the leading beachfront resorts in Guam. The hotels and resorts industry in Guam generally has a higher market ARR compare to Saipan. *Fiesta Resort Guam* is covered a mid-market player within the pricing band of US$100 to 200 per room night. In terms of revenue, our *Fiesta Resort Guam* was one of the top-10 hotels and resorts in Guam in 2017.

Travel retail market in Saipan, Guam and Hawaii

The travel retail industry typically refers to retail shops which are dedicated to sell goods and services to international travelers. Travelers typically enjoy local or national taxes and excise exemptions from duty free shops, in which the products are only sold to international travelers who will take the products out of the visiting region or country. Common travel retail products cover a wide range of products, such as cosmetics, spirits and wines, fragrances, skincare products, watches and electronics, sold at retail shops at different locations, including downtown areas, airports, border shops and airlines.

Positioned as travelers' popular travel destinations, Saipan, Guam and Hawaii have been the ideal shopping places for travelers during their visits. Global travel retail market participants have expanded their business networks into these U.S. territories so as to attract potential and profitable business opportunities. In particular, as there are no general sales tax ("**GST**"), duty nor quota requirements imposed directly on the consumers in Guam according to the Guam Department of Revenue and Taxation and a sizeable presence of U.S. military and their family members who came after prone to shop off-duty, it has a long history and reputation as a "shoppers' paradise". Indeed, supported by such favorable policy, the entry barriers and level of competition of travel retail market in Guam are relatively low and competitive. Saipan is still in its early stage of development as a shopping destination with less intensive competition and brand presence and Hawaii is an established shopping destination with a mature market landscape.

With an increasing number of visitors to Saipan, Guam and Hawaii, together with an increasing amount of Chinese and South Korean travelers' expenditure, the travel retail industry has experienced a positive growth over the recent years. In addition, some market participants also provide exclusive travel retail discounts and offerings to international travelers, such as local special products, which are only available in particular regions in order to entice travelers to purchase exclusive items. The customer service in the travel retail industry has been improving over the years in order to enhance travelers' shopping experiences. Market participants are now more culture sensitive and foreign language-speaking staff is employed globally to solve international customers' enquiries. Moreover, online pre-ordering channels are available so as to minimize customers' queuing time, and a wide variety of products is displayed in retail shops to make sure their products are visible to interested customers. Accordingly, the travel retail industry in Saipan, Guam and Hawaii is expected to further expand in the following years.

Travel retail operators mainly compete on product offering and brand recognition. In terms of the number of boutiques and number of brand offering, our Group is one of the leading travel retail groups in Guam and Saipan.

Entry barrier analysis

Capital requirement. The leisure tourism industry requires significant capital investment to set up and operate. The hotels and resorts industry, for instance, requires a large sum of initial investment for property development and also recruitment of service personnel. The high capital costs pose as a huge entry barrier to potential market entrants in the leisure tourism market.

Comprehensive service scope. As the market is developing into the consolidation stage, the market competition is shifting from low level price competition to business model reformation. Through consolidation and resources integration, the larger leisure tourism market players are expanding their service scope to develop into integrated leisure tourism service providers. Thus, the comprehensive service scope provided by well-established service providers poses an entry barrier as the new market entrants which usually lack resources to compete in the market.

Reputation and business relationship. Under the intense market competition, reputation is one of the most crucial success factors for market players in the leisure tourism market. The well-known leisure tourism market players in Saipan and Guam enjoy the first-mover benefits and has gained good reputation over the years of establishment in the market. Leisure tourism service providers tend to have a variety of upstream suppliers. The service providers have stronger bargaining power if they have better business relationships with these suppliers and larger customer base. Since new market entrants usually do not have well established supply chain, they will not be able to negotiate a better price and thus would not be able to have a good competitive edge in terms of price.

Extensive market know-how and business network. To enter into the leisure tourism market in Saipan or Guam, it is crucial to have extensive knowledge of the local market and business network, in particular business connections with the government. For instance, foreigners are not authorized to own any land in Saipan, thus it is vital to have government connections to obtain approval for land leases. Also, it involves a lengthy process to obtain certain recreational licenses for destination service activities. Thus, with stronger market know-how and business network in the local market, it is much easier for leisure tourism service providers to tap into the market.

SOURCE AND RELIABILITY OF INFORMATION

We commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on, the leisure tourism market for use in this Prospectus. Frost & Sullivan is an independent global consulting firm founded in 1961, and offers industry research, market strategies and provides growth consulting and corporate training on a variety of industries. The information from Frost & Sullivan disclosed in this Prospectus is extracted from the Industry Report, a report commissioned by us for a fee of HK$500,000 and is disclosed with the consent of Frost & Sullivan.

The Industry Report was undertaken through both primary and secondary research obtained from various sources. Primary research included interviews with industry experts and participants in the leisure tourism market in Saipan, Guam and Hawaii. Secondary research involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on Frost & Sullivan's own database. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment and the leisure tourism market in Saipan, Guam and Hawaii:-

— Saipan's, Guam's and Hawaii's economy is expected to grow at a steady rate supported by continuously favorable government policies as well as global economic development, among other factors, and

— The social, economic and political environment of Saipan, Guam and Hawaii is likely to remain stable during the forecast period, which will ensure a sustainable and steady development of the leisure tourism market in Saipan, Guam and Hawaii.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report. Our Directors have confirmed that after taking reasonable care, the sources of information used in this section, which are extracted from the Industry Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Industry Report that would materially qualify, contradict or have an impact on such information.

LAWS, REGULATIONS AND TAXATION

LAWS AND REGULATIONS OF THE CNMI AND GUAM

The summary below gives an overview of the legal and regulatory environment in Guam and the CNMI and the laws and regulations that are material to our operations in Guam and Saipan. The principal objectives of this summary is to give potential investors with an overview of the key laws and regulations applicable to us. It does not purport to be a comprehensive description of all laws and regulations that are applicable to us and/or which may be important to potential investors. Potential investors should also note that this summary is prepared based on laws and regulations in force as of the Latest Practicable Date and are subject to change (possibly with retrospective effects).

General overview

Guam. Guam is an organized but unincorporated territory of the United States. It was ceded to the U.S. by Spain pursuant to the Treaty of Paris of 1898, which concluded the Spanish-American War. Pursuant to the U.S. Constitution, Guam is subject to the plenary power of the U.S. Congress. Only certain constitutional rights deemed "fundamental" extend to Guam. Other constitutional protections are extended to Guam only as the result of laws passed by the U.S. Congress.

The government of Guam was created by the Organic Act of Guam, which was enacted in 1950. While the Organic Act has long authorized the people of Guam to adopt their own constitution, subject to the approval of the U.S. government, this has not occurred due to continuing unresolved issues of self-determination. As a result, the Organic Act effectively serves as the de facto constitution of Guam. Pursuant to its provisions, the government of Guam is established in a republican form modeled after the U.S. government, with three independent branches—legislative, executive and judicial. There is a unicameral Legislature comprised of 15 elected Senators, a Governor and Lt. Governor elected by popular vote, and an independent judiciary comprised of the Supreme Court of Guam and the Superior Court of Guam.

The inhabitants of Guam were granted U.S. citizenship under the Organic Act, and persons born in Guam are U.S. citizens. Residents of Guam cannot, however, vote for the U.S. President or any voting representative in the U.S. Congress. Guam does have an elected delegate to the U.S. House of Representatives, but the delegate does not have the right to vote on bills or resolutions. The Guam delegate can sponsor legislation and is allowed, under the House rules, to serve on and vote in committees.

Most, but not all, U.S. federal laws apply to Guam in the same manner if it were a State of the United States. The laws enacted by the Guam Legislature are codified in the Guam Code Annotated. Many of Guam core laws were originally borrowed from the California codes in the late 1920s; as a result, much of Guam's legal jurisprudence has been based on California legal precedent. California court decisions interpreting statutes originally borrowed from California are still regarded as persuasive authority, though not binding.

In addition to the Guam Code Annotated, various boards and agencies of the executive branch of the government of Guam have promulgated rules and regulations pursuant to Guam's Administrative Adjudication Law. The enabling legislation of most such boards and agencies authorize or mandate the adoption of implementing rules and regulations. The current administrative rules and regulations that have been adopted are accessible on the website of the Guam Compiler of Laws and the websites of some boards and agencies.

With some very important exceptions, for most legal and practical purposes, Guam should be viewed as being the equivalent of a State of the U.S. There are federal laws that apply and there are local laws and regulations enacted or promulgated by the Guam Legislature and the executive and autonomous agencies of the government of Guam.

LAWS, REGULATIONS AND TAXATION

CNMI. The CNMI has a unique relationship with the United States, similar to Guam's in most respects but with some important differences.

The CNMI is composed of all of the islands of the Mariana Islands chain except for Guam, which is the largest and southernmost island in the chain. Originally colonized by Spain, along with Guam and many of the other islands in Micronesia, the Northern Mariana Islands were sold by Spain to Germany following the Spanish-American War, together with the rest of Spain's colonial holdings in Micronesia, except for Guam, which had been ceded to the U.S. under the Treaty of Paris.

Germany ruled the Northern Marianas until the end of the First World War. Japan then took administrative control of all the former German colonies in the Pacific pursuant to a League of Nations mandate. Japan built up and fortified the islands. The islands of Saipan and Tinian in the Northern Marianas became important centers of Japanese commercial and military activity.

Saipan and Tinian were invaded and captured by the U.S. after fierce battles in the Second World War. The islands became the launching points of U.S. air raids on Japan, including the atomic bombings of Hiroshima and Nagasaki that helped bring the war to an end.

Following the war and the establishment of the United Nations, the U.S. was given a strategic trusteeship over the islands formerly governed by Japan under the League of Nations mandate. This was called the Trust Territory of the Pacific Islands or "**TTPI**". The headquarters of the TTPI were established in Saipan.

The TTPI was divided into several administrative districts—the Northern Marianas, Palau, Yap, Truk (now Chuuk), Pohnpei (which included Kosrae), and the Marshall Islands.

It was originally contemplated that the various island groups that were part of the TTPI would form a new nation with separate states and a federal government modeled after the U.S. government. The people of the Northern Marianas chose instead to pursue a closer relationship with the U.S. This led to the negotiation and approval of a Covenant to form a Commonwealth with the U.S. pursuant to which the people of the Northern Marianas submitted to the sovereignty of the U.S. Under the Covenant, the people of the Northern Marianas then drafted their own constitution which established the government of the Commonwealth of the Northern Mariana Islands.

Upon the establishment of the CNMI in January 1978, all of the functions of the TTPI government in the Northern Marianas were transferred to and assumed by the CNMI government, including the transfer of all public lands. Under the transition provisions, all contracts, including leases of public lands, continued in full force and effect.

Under its Constitution, the CNMI, has a republican form of government, with co-equal legislative, executive and judicial branches. However, the CNMI Legislature is bi-cameral with a Senate comprised of three elected Senators from each of the 3 main islands — Saipan, Tinian and Rota — and a House of Representatives elected based on population. Saipan, having by far the largest population of the three islands, elects the majority of the Representatives.

The citizens of the CNMI were granted U.S. citizenship under the Covenant, and persons born in the CNMI are U.S. citizens. They have no voting representation in the U.S. Congress and cannot vote for the President. There are 3 main languages spoken in the CNMI — English, Chamorro and Carolinian — each of which is considered "official" but English is the official language for most legal purposes.

LAWS, REGULATIONS AND TAXATION

Judicial system

Guam. There is a U.S. District Court of Guam which exercises the jurisdiction of a U.S. district court in the U.S., including diversity jurisdiction. The federal District Court handles civil and criminal matters arising under U.S. federal laws, as well as disputes between persons from different jurisdictions. The District Court also sits as the U.S. bankruptcy court for Guam, under the federal bankruptcy laws. Appeals from the District Court can be taken to the Ninth Circuit Court of Appeals and, in very rare instances, directly to the United States Supreme Court. Under the Organic Act, the District Court also has exclusive jurisdiction arising under the Guam income tax laws.

The Superior Court of Guam serves as the trial court of general jurisdiction. It handles both civil and criminal matters arising under the laws of Guam. The Supreme Court of Guam serves as the appellate court of Guam. Appeals from the Superior Court are taken to the Supreme Court, which is the court of last resort, except in very limited circumstances where a petition for a writ of review might be granted by the U.S. Supreme Court in the same manner that the U.S. Supreme Court can review a decision of the highest courts in one of the States of the U.S.

The Supreme Court of Guam, in its present form, came into existence in 1996, following an amendment to the Organic Act approved by the U.S. Congress that authorized its creation. The Court consists of three justices. The position of Chief Justice has rotated amongst the three current justices every three years. Prior to its creation, appeals from the Superior Court went to a three-judge panel of the Appellate Division of the District Court of Guam. Since it came into existence, the Supreme Court of Guam has established a substantial body of its own judicial precedents, and has rarely deviated from the majority views of the State courts of the U.S.

CNMI. Though its relationship with the U.S. is called a commonwealth, the CNMI is still subject to the plenary power of the U.S. Congress, except for very specific limitations set forth in the Covenant.

Like Guam, the CNMI has both a federal District Court and local trial and appellate courts. The local courts are the CNMI Superior Court and the CNMI Supreme Court. Appeals from the District Court can be taken to the Ninth Circuit Court of Appeals and, in very rare instances, directly to the United States Supreme Court.

Under the Covenant, with certain major exceptions, all federal laws applicable to Guam in effect at the time the CNMI came into existence were made applicable to the CNMI. Later enacted federal laws must specifically name or include the CNMI for them to apply.

Originally, the Covenant allowed the CNMI to control its own immigration, though the U.S. reserved the right to take over responsibility, which it did in 2009. As a result, the U.S. immigration laws now apply in the CNMI and are administered and enforced by the federal government. Because the CNMI is very dependent upon foreign labor, this has required the federal immigration authorities to fashion stop-gap procedures to allow foreign workers to remain in the CNMI, until a more permanent legislative solution is approved by the U.S. Congress.

Pursuant to the orders and agreements relating from the transition from the TTPI government to the CNMI, the existing Trust Territory laws and regulations remained in effect, with necessary modifications, until they were repealed or amended by the CNMI Legislature. Many of the provisions of the Trust Territory Code have been recodified into the CNMI Codes.

LAWS, REGULATIONS AND TAXATION

The jurisprudence of the CNMI is based largely on the common law of the United States. By statute, in the absence of written law or local customary law to the contrary, the common law, as expressed in the restatements of the law approved by the American Law Institute and, to the extent not so expressed, as generally understood and applied in the United States, are the rules of decision in the CNMI courts.

The administrative rules and regulations promulgated by the agencies of the CNMI government are regularly published and available on the website of the CNMI Law Revision Commission.

Securities matters

The U.S. Securities Act and the United States Securities and Exchanges Act of 1934 apply to the CNMI and Guam. The Securities and Exchanges Commission has investigative and enforcement jurisdictions over the CNMI and Guam.

Currency and foreign exchange

Guam. The official currency of Guam is the U.S. Dollar. There are no foreign currency restrictions per se, but all U.S. federal laws relating to anti-money laundering and countering the financing of terrorism apply with full force in Guam, including the Bank Secrecy Act ("**BSA**").

Under the BSA "financial institutions" (which includes travel agencies) are required to file reports with regard to certain types of financial transactions, including reports of cash payments over US$10,000, currency transaction reports and suspicious activities reports.

CNMI. The U.S. Dollar is also the currency of the CNMI, and all the U.S. federal anti-money laundering and related laws that apply in Guam also apply in the CNMI.

Persons in the CNMI who are engaged in the business of "foreign exchange currency transactions" are required to obtain a license from the CNMI Director of Banking. "Foreign exchange currency transactions" are defined to mean "the business of receiving and/or selling foreign currency notes". This includes the incidental exchange or acceptance of foreign currencies by hotels and retail establishments.

Business organizations

Guam. Guam law recognizes several different forms of business entities, These include sole proprietorships, general partnerships, limited partnerships, for-profit stock corporations, not-for-profit member corporations, professional corporations, limited liability companies ("**LLCs**"), and limited liability partnerships, among others. Certain types of foreign entities may also qualify to transact business in Guam. The relevant entity forms for the purpose of this Regulatory Oversight discussion are the for-profit stock corporation and the LLC.

Guam first adopted a General Corporation Law which is codified at Title 18 G.C.A, Chapters 1-9. In 2008, the Guam Legislature enacted the Guam Business Corporation Act codified at Title 18 G.C.A. Chapter 28. This statute was based the Revised Model Business Corporation Act, different versions of which have been adopted in the majority of the States of the U.S. Corporations originally organized under the General Corporation Law continue to be governed by its provisions, unless the articles of incorporation are amended to opt in to being governed by the more modern statute.

The affairs of corporations subject to the General Corporation Law are required to be managed by a board of directors of not less than 3 directors, who are to be elected annually at the annual meeting of the shareholders. The day-to-day business may be delegated to officers elected by the directors. The president of the corporation must be one of the directors. The secretary or treasurer of the corporation must be a resident of Guam.

The term of existence of a corporation subject to the General Corporation Law is limited to 50 years, although the term of existence can be extended upon approval of the Governor of Guam. Corporations subject to the Guam Business Corporation Act have perpetual existence.

Corporations are subject to regulation of the Director of the Government of Guam Department of Revenue and Taxation, who acts as the registrar of corporations. Corporations are required to file an annual corporation report each year which sets certain limited information including the names and addresses of the current directors, officers and shareholders. No other reports are required to be filed with the registrar.

It is not required to report any changes of the information in the last filed annual report until the next annual report is due. As a result, it is not possible to verify from any public record whether the information set out in the latest annual report on file remains correct. There is no electronically accessible database of information available regarding domestic Guam corporations.

Limited liability companies or LLCs may be organized in Guam under the Guam Limited Liability Company Act codified at Title 18 G.C.A., Chapter 15. An LLC is established upon the filing of articles of organization with the Director of the Department of Revenue and Taxation. LLCs do not have shareholders. The owners of the equity interests in LLCs are called members. Originally, Guam law required that LLCs have at least two members, but the law was amended to allow for single-member LLCs. LLCs can be member-managed or manager-managed. The articles of organization must state how the LLC will be managed.

When an LLC has two or more members they would normally enter into an operating agreement setting out the details as to how the LLC will be managed, how income and liabilities will be distributed or allocated, if and how additional members can be added, and other matters. The operating agreement is similar to the bylaws of a corporation. There is no requirement that an operating agreement be filed with the government.

The LLC form of business entity was created to provide greater flexibility with regard to how the entity is to be taxed under the income tax laws. LLCs can elect to be taxed as a corporation or as a partnership. Unlike a partnership, however, the members enjoy the same limited liability as do shareholders of a corporation.

As in the case of corporations, LLCs are required to file an annual report once a year. However, if there is any change in the information required to be set forth in the articles of organization, amended articles must be filed. There is no electronic database available regarding LLCs. Public information regarding LLCs is limited to the articles of organization and annual reports filed with the Department of Revenue & Taxation.

CNMI. Like Guam, the CNMI adopted a version of the Revised Model Business Corporations Act governing for-profit stock corporations. The Commonwealth Business Corporation Regulation Act is codified in Title 4, Division 4, Part 2 of the Commonwealth Code.

The CNMI has also adopted a version of the Uniform Limited Liability Company Act, which is codified in Title 4, Division 4, Part 3 of the Commonwealth Code. As stated in the findings and purposes set forth in CNMI P.L. 14-11, “[t]he allure of the limited liability company is its unique ability to bring together in a single business organization the best features of all other business forms—properly structured, its owners obtain both a corporate-styled liability shield and the pass-through tax benefits of a partnership.”

Both CNMI corporations and CNMI limited liability companies are under the regulatory jurisdiction of the CNMI Registrar of Corporations. Each form of business entity is required to file an annual report containing the information set forth in the statutes.

Business licensing

Guam. All persons doing business in Guam are required to obtain the appropriate business license or other permit or license. Except for businesses and professions that are regulated by other boards or agencies of the government of Guam (such as doctors, engineers, architects, contractors and land surveyors), business licenses are issued by the Business License Branch of the Department of Revenue & Taxation. A separate business license must be issued for each line of business and for every location at which business is conducted.

Thus, a hotel needs to obtain separate business licenses for each type of activity conducted on its premises. This would include hotel operations, operation of restaurants and bars, sales of food and beverages, retail sales of goods and services, catering, space rental to tenants or concessionaires, rental of recreation equipment to hotel guests, etc.

To be issued a business license, an applicant is required to obtain clearances from any government agency which has regulatory authority over any aspect of the particular activity. Such clearances would include tax clearances from the Department of Revenue and Taxation to ensure all required tax payments and filings have been made, a zoning clearance from the Department of Land Management to ensure that the proposed activity is authorized at the location, clearances from the Guam Fire Department to ensure that the location has passed any needed inspections, clearances from the Department of Public Works regarding occupancy permits, clearances from the Department of Public Health and Social Services to ensure any required health and sanitary permits have been issued, and possibly others, depending on the activity.

Business licenses are issued for one year and must be renewed prior to expiration. Business operating without a required business permit are subject to civil and criminal penalties. They can also be barred from bringing actions in the Courts unless and until they bring themselves into compliance.

Depending on the nature of the business activity, in addition to business licenses other licenses and permits may be required, such as alcoholic beverage licenses, which are issued by the Alcohol Beverage Control Board. A hotel would require on-sale retail liquor licenses for each of its bars and restaurants, as well as for its in-room mini-bars and catering activities. If the hotel sells tobacco products, a tobacco retail license would need to be obtained.

CNMI. Before engaging in or continuing a business in the CNMI, all persons are required to first obtain a license to engage in or conduct that business from the Secretary of the CNMI Department of Finance. A separate business license must obtained for each line of business for each location in the CNMI. Business licenses are valid for one year and may be renewed. Violations of the business license regulations are subject to civil penalties.

In addition to general business licenses, different activities and professions are required to obtain specific licenses from other government boards and agencies.

In order to obtain a business license as a tour guide, tour operator or tourist land/sea transport operator in the CNMI, a person must first obtain a certificate of accreditation from the Marianas Visitors Authority (the "**MVA**"). To obtain a tour guide certification, the applicant must show, among other things, that he or she has successfully completed a MVA approved training course and passed an MVA approved examination covering the history and culture of the CNMI, the scenic and historical landmarks and attractions of the CNMI and the protection and conservation of the natural environment. Tour guides must wear at all times a certification badge issued by MVA and abide the MVA's code of conduct.

To obtain a certificate of accreditation, a tour operator or tourist land/sea transport operator must be a member in good standing with the MVA, have an office in the CNMI, not employ any tour guides not certified by MVA, have a bank account in the CNMI and either employ a person or retain an independent contractor who is fluent in the English language.

Tour companies doing business in the CNMI are also required to register each vehicle belonging to the company with the CNMI Department of Commerce and obtain a permit number. Each such vehicle is required to have proper signage written in English with the permit number.

Sanitary permits

Under Guam and CNMI laws, hotels, food and food service establishments (including temporary and mobile food service establishments), and public swimming pools are required to have sanitary permits issued by the Department of Public Health and Social Services (the "**DPHSS**") in Guam and the Department of Public Health's Bureau of Environmental Health in the CNMI, respectively.

In Guam, any hotel services that overlap with other businesses regulated by sanitary permits must also obtain sanitary permits for those services. When a hotel contains food service, food preparation, and eating facilities, all such facilities shall comply with applicable regulations regarding Food Service Establishments. Any hotel laundry facilities must comply with applicable regulations concerning laundries and dry cleaning facilities. All hotel swimming pools must comply with applicable regulations concerning public swimming pools. No hotel construction, extension, or modification can be conducted without first obtaining a construction permit from the Department of Health and Human Services in additional to any other permits required by the government.

Sanitary permits of hotels

A hotel must be inspected to ensure that it meets the minimum sanitary permit requirements before an application will be approved. Guam has adopted detailed regulations setting forth sanitary standards that must be followed. The CNMI has yet to do so.

Under the Guam regulations, the hotel sanitary permit itself is non-transferrable and must identify the address of the hotel and the lot number the hotel is built on. Sanitary permits may be issued for a maximum of 12 months and are renewed each year. A hotel sanitary permit may be suspended or revoked if a hotel permits any employees with contagious diseases to work, if the hotel has an inadequate or unapproved water supply, or if the hotel is involved in improper sewage disposal. The hotel must designate a "responsible employee" to manage the daily operation of the hotel.

In Guam, every hotel employee must have a health certificate issued by DPHSS . An "employee" means any person who in any manner serves a guest of the hotel. A hotel may not allow any employee with a contagious disease to work. An employee with a contagious disease may only return to work once he or she has been cleared to return by a health professional. Hotels must also report all incidents where a hotel guest is known to be suffering from a communicable disease.

The Guam sanitary regulations require hotels to provide things such as adequate lighting and ventilation, daily furnishing of soap and clean towels, and single-service cups and sanitized drinking glasses. Regulations set forth that bedding must be clean, of sufficient size, and fit for use. Ice must also be handled, transported, and stored in a manner so as to protect against contamination. All hotel plumbing must also be installed and maintained in accordance with the current Uniform Plumbing Code. Minimum lighting requirements are also set with respect to toilet facilities, kitchenettes, corridors, stairs, elevators, entryways, and rooms.

The CNMI has not adopted or promulgated any similarly specific regulations related to hotels.

Sanitary permits of food establishments

The Guam Food Code was adopted on November 4, 2013 and went into effect on November 5, 2014. This is a uniform code of regulations published by the United States Food and Drug Administration. Guam has adopted the 2005 version of the code. The Guam Food Code replaced previous regulations that used definitions stated in other portion of the law, such as “food service establishment”. The Guam Food Code has not been officially included in the Guam Annotated Regulations by the Guam Compiler of Laws is available for download on the DPHSS website.

Food service establishments are required to display the most recent grade received from the DPHSS in a place designated by it.

The CNMI has yet to adopt any specific regulations relating to sanitary permits for food and drinking establishments.

Sanitary permits of public swimming pools

In Guam, all swimming pools used by hotel guests must comply with regulations pertaining to Public Swimming Pools. Guam’s public swimming pool regulations are extensive and detailed. A separate sanitary permit is required for the swimming pool if a hotel operates a swimming pool. Construction permits must be obtained from DPHSS to construct or reconstruct a swimming pool.

A swimming pool operator may be ordered to shut down the swimming pool if DPHSS deems that the pool’s continued operation jeopardizes the health and safety of the people of Guam. A pool may also be immediately closed if the swimming pool’s filtration or disinfection equipment fails, if the swimming pool is declared a public nuisance, if the swimming pool lacks required supervisory personnel or lifeguards, if the swimming pool fails to meet minimum water quality standards, and if the swimming pool lacks adequate safety equipment. Swimming pools may also not employ anyone who has a communicable disease. All patrons or swimmers with infectious diseases must be excluded from any pool facility.

Guam’s public swimming pool regulations are detailed, setting minimum standards for construction materials, surfaces, shapes, water supply, sewage, overflow gutters, recirculation systems, filters, cleaning solutions, ladders, walkways, and occupancy. Depth markers must be clearly marked at or above the water surface at maximum and minimum points, at points of break between deep and shallow portions, and at one foot increments of depth. A pool facility must also be equipped with lifesaving equipment.

Life guards must be on duty at pool side at all time when a swimming pool is open for use, except at pools with less than 2,250 square feet of water surface used exclusively for a motel, apartment complex, condominium, hotel, or similar structure.

Guam is currently in the process of revising its public swimming pool regulations. The draft regulations that have been circulated for public comment have come under scrutiny by local hotels because they call for fences and gates to be placed around all swimming pools.

The CNMI has not yet adopted any specific regulations related to swimming pools.

Sanitary permits of public laundry and dry cleaning establishments

Hotel laundry services in Guam must comply with regulations respectively concerning laundries and dry cleaning establishments. The CNMI has no similar regulations.

Smoking

In the CNMI, the Smoke-Free Air Act prohibits smoking in all enclosed areas of public places, including but not limited to hotels, restaurants (including attached bars), restrooms, lobbies, and hallways used by the general public and other common-use areas. Smoking is prohibited in the lobby areas of hotels, except in designated smoking areas in an outdoor areas 25 feet or further from the entrances, exits, operable windows and ventilation intakes that serve an enclosed public place in which smoking is prohibited. Smoking is permitted in rooms and adjoining balconies rented to guests and designated as smoking rooms. No more than 30% of rooms rented to guests may be designated as smoking.

Owners of businesses and establishments regulated by the Act are required to inform employees, customers, guests and all other persons physically present on the premises of the prohibition against smoking and to take other measures, including prominently posting “No Smoking” signs, removing ashtrays, asking any person who smokes in a prohibited area to refrain from smoking, and refusing service to a person who is smoking.

Guam law also regulates smoking in “public places”, which includes hotels, bars, restaurants, retail stores and marketing establishments. Other “public places” include elevators and restrooms. Smoking may be permitted within 20 feet of the entrance or exit of a public place only if such smoking area is an open outdoor patio contiguous to the public space and controlled by the operator or management of the public place. The smoking regulations do not apply to hotel rooms rented to guests. Any person who owns, operates or otherwise controls any premises subject to the smoking regulations who fails to comply is subject to monetary fines.

Health and food handler certificates

Under Guam law, health permits are required for employees of food establishments. Every such employee is required to obtain a new health certificate every 12 months. Certain exceptions exist. To obtain health certificate to work in a food establishment, an applicant must fill out an application. First-time applicants need not take an examination, but they must attend a training course approved by DPHSS. Renewal applicants must pass an annual oral or written examination, meaning they must answer at least 70% of the questions on the examination correctly. Any renewal applicant who fails to answer at least 70% of the questions correctly must retake a training course. Employees who already have a health certificate for a food establishment need not do anything aside fill out an application to obtain a health certificate to work concurrently at a different food establishment. All eating and drinking establishments must designate a resident manager. All resident managers must hold a Certificate of Management Certification. To obtain a Certificate of Management Certification, a manger must pass a test administered by DPHSS by answering at least 70% of the questions correctly. Any applicant who does not pass the test must take an approved training course.

In the CNMI, any person who prepares, handles, cooks or serves food or beverages is required to obtain a food handler certificate from the Secretary of Public Health. In order to obtain a food handler certificate an individual must undergo a physical examinations, including a screening for specified food-borne diseases. In addition, a person seeking a food handler certificate must attend a food handler education seminar. The food handler certificates must be renewed annually and a new physical examination conducted.

Building and fire codes

Both Guam and the CNMI have adopted building and fire codes.

Guam has adopted the 2009 edition of the International Fire Code ("**IFC**"). The IFC is a uniform code published by the International Code Council and versions of the IFC have been adopted in 41 States, the District of Columbia, Puerto Rico, New York City, and Guam. Guam has only made a few amendments to the IFC. They include prohibiting the sale or use of sky lanterns. Lastly, provisions have been added allowing the use of open flames under specific circumstances, including use of tiki torches in outside areas.

The IFC is enforced by the Guam Fire Department (the "**GFD**"). GFD is responsible for conducting fire inspections, which must be completed in order for a new business license to be issued. GFD is also responsible for setting maximum room occupancy numbers.

Guam has also adopted the 2009 edition of the International Building Code ("**IBC**"). Like the IFC, the IBC is a uniform code published by the International Code Council. Guam periodically reviews updated versions of the IBC to determine if any changes are suitable for Guam. Changed provisions addressing means of egress sizing and automatic sprinkler systems were updated to match the 2015 version of the IFC.

Except for single family homes and duplexes, which are governed by a different code, the CNMI has adopted as its primary building safety code the 1988 edition of the Uniform Building Code ("**UBC**") published by the International Conference of Building Officials, and subsequent amendments thereto, with certain other limited exceptions. The UBC sets minimum earthquake and typhoon design standards that are supposed to be met.

The CNMI has also adopted the Uniform Fire Code published by the International Conference of Building Officials and the Western Fire Chiefs Association, with some modifications.

Ownership and leasing of real property

Guam. Subject to certain exceptions, both U.S. federal law and Guam law technically prohibit the acquisition of title to real property in Guam by "aliens". The term "alien" is not defined. This prohibition does not apply to cases where the right to hold or dispose of lands in Guam is secured by an existing treaty. Land held in contravention of the Guam law is subject to escheat to the government and title may be conveyed at any time prior to the institution of escheat proceedings. To our knowledge, there is no record of escheat proceedings ever have been instituted in Guam under the Guam law.

The Guam law also declares that any lease of property in Guam to "aliens" for a period longer than five years is "prohibited and void". There are also civil penalties prescribed for any violation of this prohibition.

To avoid any possible issue under these land ownership restrictions, the accepted practice utilized by foreign investors for the many decades since Guam was first opened up to foreign investment in the early 1960s has been to form a Guam corporation to take title to or enter into a longer term lease of real property.

A Guam domestic corporation, even one wholly owned by foreign persons (meaning persons or entities that are not citizens or permanent residents of the U.S.), is not considered "alien" for the purpose of the laws restricting ownership. To our knowledge, there is no record of any challenge to any lease or land ownership by a Guam corporation owned by foreign investors. The referenced restrictions have not have any demonstrable effect on the development of real property in Guam by foreign investors or the financing of that development by U.S. and international lenders.

CNMI. Article XII of the CNMI Constitution restricts the "acquisition" of "permanent and long-term interests in real property" to "persons of Northern Marianas descent", as those terms are defined in Article XII. A corporations is considered a person of Northern Marianas descent ("**NMD**") so long as it is incorporated in the CNMI, all of its directors are NMDs and has voting shares 100% of which are owned by NMDs. Beneficial title to shares may not be severed from legal title.

"Permanent and long-term interests in real property" are defined to include freehold interests and leasehold interests of more than 55 years, including renewal rights, except an interest acquired above the first floor of a condominium building. Any land transaction in violation of Article XII is void ab initio.

In the years following the creation of the Commonwealth, there was substantial litigation challenging various land transactions that were claimed to be in violation of Article XII, the result of which was to create uncertainty as to the validity and enforceability of many fee and leasehold interests in land. For this reason, title insurance policies issued in the CNMI contain a standard exclusion from coverage for claims arising under Article XII.

The management and disposition of lands transferred from the TTPI government to the CNMI is governed by Article XI of the CNMI Constitution. Under the current government organizational structure such public lands are under the jurisdiction of the Department of Public Lands. Article XI limits the transfer of a leasehold of public lands to a term not exceeding 25 years including renewal rights. An extension of not more than 15 years may be given upon approval of three-fourths of the members of the Legislature. DPL may not transfer an interest in public lands located within 150 feet of the high water mark of a sandy beach, except that DPL may authorize the construction of facilities for public purposes.

Rights and responsibilities of innkeepers

Guam. Certain Guam statutes deal specifically with hotels or innkeepers are found in Articles 4 and 5 of Chapter 41 of Title 18 of the Guam Code Annotated. These very old and antiquated laws relate to the liability of innkeepers for losses of or injuries to personal property deposited for safekeeping, create liens on the belongings of guests for charges incurred at the hotel and impose certain obligations on the hotel or innkeeper.

The law provides that the liability of innkeepers for such losses or damages is that of a depositary for hire and limits such liability to US$100 for each trunk and its contents, US$10 for each box, bundle or package and contents and US$250 for all other personal property of any kind, unless the innkeeper shall have agreed in writing with the owner to assume a greater liability.

If the innkeeper keeps a fireproof safe and gives notice to a guest, either personally or by putting up a printed notice in a prominent place in the guest's room that he keeps such a safe and will not be liable for money, jewelry, documents, furs, fur coats and fur garments, or other articles of unusual value, the innkeeper shall not be liable, except so far as his own acts shall contribute thereto, for any loss or injury to such articles, if not deposited with the innkeeper to be placed in the safe, nor in any case for more than the sum of US$250, unless the innkeeper shall have given a written receipt to the guest for the articles.

A lien is created on a guest's baggage and other property which may be in the hotel for the proper charges for the guests accommodations and for the costs of enforcing the lien. The baggage and other property can be sold at public auction within 10 days after giving notice of the sale by publication in a Guam newspaper and also by mailing a notice to the guest address to his last known address at least 15 days before the sale. Any excess proceeds are to be paid over to the government of Guam. This provision does not apply to any musical instrument which is used by the owner to make a living or to any prosthetic or orthopedic appliances.

Every keeper of a hotel or inn shall post in a conspicuous space in the office and in every bedroom of the hotel or inn a printed copy of the law and a statement of charges by the day for meal and items furnished and for lodging. The section provides that no charge or sum is to be collected or received for any item not actually delivered, or for any sum greater than is provided in the general rules and regulations of the hotel.

CNMI. The CNMI has adopted statutes very similar to Guam's that grant a hotel or innkeeper a statutory lien on all property belonging to the hotel guest for the amount that may be due for lodging or for other extras furnished to the guest at the guest's request. At any time after 30 days after default in the payment of a debt secured by the lien, the lien may be foreclosed by sale of the property in the manner prescribed by law.

A hotel is also permitted to sell at public auction any baggage or property of whatever description left at the hotel for a period of 60 days. Notice of the sale must be published in the manner prescribed by law. Any excess proceeds, after paying all costs of keeping the property, the reasonable costs of the sale and any amount due to the hotel, must be paid over to the government.

Alcoholic beverage control ("ABC")

Guam. The manufacturing, import, export, and distribution of wines, spirits and malt beverages are jointly regulated by federal and local law. Federal law focuses on manufacturing (including labeling, advertising, and containers) unfair trade practices, importation (including taxation) and exportation and food safety (including bioterrorism).

Under the 21st Amendment to the U.S. Constitution, which repealed prohibition, the government of Guam has full authority to regulate the transportation or importation of intoxicating liquors into Guam for delivery and use in Guam. Pursuant to that authority, Guam has enacted an alcoholic beverage control regulatory regime originally borrowed from California which intends to separate the different levels of distribution in order to discourage consumption. Under this regime, licensure for importation into Guam, wholesale distribution, microbrewery (manufacturing), on-premises sales and off-premises sales, is regulated by Guam's Alcoholic Beverage Board. Under Guam's tied-house rules, the holder of one class of license is prohibited, directly or indirectly, from being a holder of any other class of ABC license. In other words, a holder of a wholesale license may not also possess a retail license for sale of alcohol beverages for on premises or off-premises consumption. Likewise, a licensee of a retail license permitting on-premises consumption may not also possess a retail license for off-premises consumption. There are a few exceptions, primarily relating to microbreweries who may sell for retail consumption at their own establishments.

The Guam ABC law also regulates the age of persons permitted to work in alcohol serving establishments and limits the consumption age to 21 years of age or older.

Violations of the ABC law may result in the revocation or suspension of a license, as well as criminal fines and imprisonment.

CNMI. The CNMI Legislature has acknowledged that the regulation of the sale and consumption of alcoholic beverages should, as matter of public policy, be subject to regulation by local laws adopted in each of the three senatorial districts (Saipan, Tinian and Rota). In the absence of any enacted local laws, which may be more or less restrictive or permissive, the statutes of Division 5, Chapter 5 of Title 4 of the Commonwealth Code apply.

Those statutes prohibit the importation, manufacture or sale of alcoholic beverages without a license. The Secretary of the CNMI Department of Commerce is authorized to create several categories of licenses, including licenses for the sale of alcoholic beverages for consumption on or off the licensed premises. Licenses are issued by the Commonwealth Alcoholic Beverage Control Board ("**ABC Board**").

The regulations promulgated by the Department of Commerce require applicants and all employees of licenses to attend a training and certification program on responsible alcohol sales and services provided by the Alcoholic Beverage and Tobacco Control Division of the Department of Commerce (the "**ABC and Tobacco Division**").

Liquor licensees are required to notify the Secretary of Commerce in writing of any and all changes in a licensed business ownership or management or other changes which materially affect the data on file with the Secretary prior to the time the change occurs.

The statutes and regulations also establish various standards for the conduct of business by licensees which are enforced by the ABC and Tobacco Division, the employees of which have all the powers of peace officers. Violations of the statutes or the rules promulgated by the ABC Board are subject to both criminal and civil penalties, including suspension or revocation of licenses.

Trade marks

Guam. Trade marks are governed by both federal law and Guam law. Under federal, local, and common law, a trade mark is unique symbol, word or words used to represent a company or product. Registration of a trade mark in the United States Patent & Trademark Office (the "**USPTO**") is presumptive evidence of ownership of the trade mark and the registrant's exclusive right to use the mark in interstate commerce. Federal registration is also a pre-requisite for bringing a lawsuit under federal trade mark laws, and availing of the federal court system for enforcement of infringement. A federal trade mark registration remains valid for ten years after filing, with optional renewal periods of ten years.

Unauthorized use of another's trade mark can result in an injunction, an order requiring destruction or forfeiture of infringing articles, monetary relief, including infringer's profits, and any damages sustained by trade mark owner, the cost of the action and attorneys' fees.

The registration of trade marks with the government of Guam includes USPTO registrations, or registration for marks only used on Guam. For USPTO registrations, the Guam registration exactly mirrors the classifications of product protection, ownership, and mark as registered in the USPTO. For Guam only registrations, the mark owner must demonstrate use of the mark in commerce, and certain other requirements that mirror the USPTO registration process. Marks registered with the government of Guam may be enforced in the Guam Judiciary, with remedies substantially similar to enforcement of federal infringement.

CNMI. Trade mark laws governed by federal law and CNMI law. Under federal, local, and common law, a trade mark is unique symbol, word or words used to represent a company or product. Registration of a trade mark in the USPTO is presumptive evidence of ownership of the trade mark and the registrant's exclusive right to use the mark in interstate commerce. Federal registration is also a pre-requisite for bringing a lawsuit under federal trade mark laws, and availing of the federal court system for enforcement of infringement. A federal trade mark registration remains valid for ten years after filing, with optional renewal periods of ten years.

Unauthorized use of another's trade mark can result in injunction, an order requiring destruction or forfeiture of infringing articles, monetary relief, including infringer's profits, and any damages sustained by trade mark owner, the cost of the action and attorneys' fees.

While the CNMI does not have a trade mark registration system, it does grant trade mark owners the right to bring infringement actions in the CNMI local courts through "The Private Labels Protection Act of 2004." This law also imposes substantial damages for infringement, and under certain circumstances, terms of imprisonment.

Employment law matters

Guam. Guam is an "at will" employment jurisdiction, meaning that, in the absence of any contract for a specified term or applicable labor union contract, the employment relationship may be terminated by either the employer or the employee at any time upon notice to the other party, for any cause, or for no cause at all, subject to various Guam and federal laws prohibiting discrimination or retaliation on public policy grounds. Employers often prepare employee handbooks setting forth or explaining the employer's rules and policies, but this is not required.

Guam is also a "right-to-work" jurisdiction, meaning employees cannot be required to join a labor union as a condition to employment or to pay any fees, dues or other assessments to any labor organization.

CNMI. Like Guam, the CNMI is an "at will" employment jurisdiction, meaning that, in the absence of any contract for a specified term or labor union contract, the employment relationship may be terminated by either the employer or the employee at any time upon notice to the other party, for any cause, or for no cause at all, subject to various CNMI and federal laws prohibiting discrimination or retaliation on public policy grounds. Unlike Guam, this is a matter governed by the common law, not statute.

Like Guam, the CNMI also has enacted a right to work law. The right to work cannot be denied or abridged on account of membership or nonmembership in any labor union or labor organization.

Discrimination

Guam. There are number of federal and Guam laws that prohibit discrimination in matters related to employment and conditions of employment. The federal laws include: Title VII of the Civil Rights Act of 1964, which prohibits discrimination based on an individual's race, color, religion, sex or national origin; the Age Discrimination in Employment Act of 1967, which prohibits discrimination on the basis of age (limited to persons over the age of 40); the Americans With Disabilities Act, which prohibits discrimination against qualified individuals on the basis disability; the Equal Pay Act of 1963, which prohibits discrimination with regard wages paid for equal work on the basis of sex; the Pregnancy Discrimination Act of 1978, which amended Section 701 of Title VII of the Civil Rights Act of 1964 to provide that discrimination on the basis of pregnancy, child birth or related medical conditions constituted discrimination based on sex; the Genetic Information Nondiscrimination Act of 2008, which prohibits discrimination based on genetic information; the Uniform Services Employment and Reemployment Rights Act, which prohibits discrimination against members of the United States uniformed services and creates certain job reinstatement rights; and the Employee Polygraph Protection Act which prohibits discrimination or the taking of adverse action against employees or prospective employees based on the refusal to take a lie detector test or the results of such a test.

Article 2 of the Guam Employment Relations Act prohibits employment discrimination based on race, sex (including gender identity or expression), religion, color, sexual orientation, ancestry, or military status. The law also prohibits discrimination on the sex or age (40 years or over). This duplicates the federal prohibition, but can be enforced in the Guam local courts.

CNMI. The same federal laws that prohibit discrimination in matters related to employment and conditions of employment apply in the CNMI just as they do in Guam.

Notwithstanding the federal prohibitions against various forms of employment discrimination based on race or national origin, the CNMI has enacted laws intended to provide employment preferences in the CNMI for U.S. citizens and CNMI permanent residents. The law provides: “Citizens and CNMI permanent residents and U.S. permanent residents shall be given preference for employment in the Commonwealth. Capability in the official languages of the Commonwealth [English, Chamorro and Carolinian] is an important skill to working effectively within the Commonwealth.” The law requires the full-time work force of all employers to include a percentage of U.S. citizens, permanent residents and CNMI permanent residents (including their immediate relatives) that equals or exceeds the percentage of such persons in the “available private workforce” unless attainment of that goal is not feasible after all reasonable efforts have been made by the employer. The employment preference created by the law discriminates against other “permanent residents” of the CNMI who are citizens of the Freely Associated States of Palau, the Federated States of Micronesia and the Republic of the Marshall Islands who are permitted to reside and work in the U.S.

The CNMI law gives a qualified person in the preferred class a right to bring an action for damages if the employer rejects an application for a job without just cause and employs a person in the job who is not a U.S. citizen or permanent representative or CNMI permanent resident, as those terms are defined in the law.

Wage and hour laws

Guam. The federal Fair Labor Standards Act (“**FSLA**”), establishes minimum wage, overtime pay, recordkeeping and child labor standards affecting full-time and part-time workers in the private sector. Guam has adopted a similar law, the Guam Minimum Wage and Hour Act. The FSLA is administered and enforced by the Wage and Hour Division of the U.S. Department of Labor with regard to private employment, with assistance in Guam from the Wage and Hour Division of the Guam Department of Labor, which enforces the Guam law.

Under federal law, covered, nonexempt workers are currently entitled to a minimum wage of $7.25 per hour; however, under the Guam law, the minimum wage is $8.25 per hour. Non-exempt workers must be paid overtime pay at a rate of not less than one and one-half times their regular rates of pay after 40 hours of work in a workweek. Wages are due on the regular payday for the pay period covered. Deductions are not allowed to the extent they reduce the wages of employees below the required minimum rate or the amount of overtime pay due to the employee. Under Guam law, no deductions from wages are allowed unless authorized by federal or Guam law or by the employee in writing.

The FSLA and the Guam law contain exemptions from these standards. Some apply to specific types of businesses; others apply to specific kinds of work. For example, executive, administrative and professional employees (as defined in the USDOL regulations) are “exempt” from the minimum wage and overtime pay provisions. Exemptions are narrowly defined, so employers must carefully check the exact terms and conditions of each exemption to determine its applicability.

The FLSA does not set any minimum standards or requirements for: vacation, holiday, severance or sick pay; meal or rest period, holidays or vacations; or pay raises or fringe benefits. The Guam law requires that employers provide a meal period of not less than 30 minutes for any employee with a work period of more than 5 hours. Otherwise, such matters are generally left for agreement between the employer and the employee or the employee's representative (such as a labor union) or to be established as a matter of policy by the employer.

CNMI. The federal Fair Labor Standards Act ("**FLSA**"), applies in the CNMI, as it does in Guam. It establishes minimum wage, overtime pay, recordkeeping and child labor standards affecting full-time and part-time workers in the private sector. The CNMI has a similar local law.

Under federal law, covered, nonexempt workers are currently entitled to a minimum wage of $7.25 per hour. The FSLA created a special exception for the CNMI, but, beginning from September 30, 2018, the CNMI minimum wage was increased to $7.25, the same as the federal minimum wage. Non-exempt workers must be paid overtime pay at a rate of not less than one and one-half times their regular rates of pay after 40 hours of work in a workweek. Wages are due on the regular payday for the pay period covered. Deductions are not allowed to the extent they reduce the wages of employees below the required minimum rate or the amount of overtime pay due to the employee.

The FSLA and the CNMI contain exemptions from these standards which are substantially the same as those in Guam, and are narrowly defined as well.

Vacation, holiday, severance or sick pay; meal or rest period, holidays or vacations; or pay raises or fringe benefits are generally left for agreement as in Guam.

Family and medical leave

The Family and Medical Leave Act ("**FMLA**") applies both in Guam and in the CNMI. This federal law, entitles employees of covered employers to take up to 12 weeks of unpaid job-protected leave each year, with maintenance of health insurance (if provided by the employer), for the birth or care of a child, for the placement of a child for adoption or foster care, for the care of a child, spouse or parent with a serious health condition, or for the employee's own serious health condition. There is an equivalent Guam law which also requires employers to provide bereavement leave.

Guam law also requires employers to grant reasonable and necessary leave from work, with or without pay, to allow an employee who is the victim of a crime of violence or whose immediate family member is victim to: prepare for and attend court proceedings; receive medical treatment or to attend to medical treatment for the immediate family member victim, or to obtain necessary services to deal with a crisis.

The Guam Child School-Related Leave Act requires employers to allow employees to take off up to 40 hours each year to attend to school-related matters related to their children and prohibits employers from discharging or discriminating against the employees for taking this time off.

Employers are required to post posters in areas frequented by employees (such as lunch or break rooms) explaining the rights of employees under the various federal laws.

The CNMI Anti-Violence Leave Act of 2013, prohibits employers from discharging or in any manner discriminating or retaliating against an employee who is a victim of various domestic violence who takes leave from work to attend to various matters arising from such violence. Persons wrongfully discharged, demoted, suspended or in any other manner discriminated or retaliated against are given the right to seek reinstatement and reimbursement for lost wages or benefits. Employers with 25 or more employees are required to maintain the confidentiality of any employee requesting leave under this law and is subject to civil and criminal sanctions for interfering with the employee's ability to see assistance from the courts or law enforcement authorities.

Workers compensation insurance

Guam. Guam law provides that every employer shall be liable for and must secure payment to its employees workers compensation benefits payable under the Guam workers compensation law for job-related injuries or death. Compensation at the rates specified in the law are payable irrespective of fault as to the injury. The employer is also required to furnish such medical, surgical and other treatment or services for such period as the nature of the injury or the process of recovery may require. Employers are required to secure the payment of compensation due under the law by obtaining and keeping in force insurance from an insurer authorized to issue such insurance in Guam. The right to compensation for benefit under the Worker's Compensation Law of Guam is the exclusive remedy for an employee who is injured, or to the employee's eligible survivors if the employee is killed.

CNMI. The Commonwealth Workers' Compensation Law, which is based on the equivalent Guam statutes, provides that every employer shall be liable for and must secure payment to its employees workers compensation benefits payable under the law for job-related injuries or death. Compensation at the rates specified in the Law are payable irrespective of fault as to the injury. The employer is also required to furnish such medical, surgical and other treatment or services for such period as the nature of the injury or the process of recovery may require. Employers are required to secure the payment of compensation due under the Law by obtaining and keeping in force insurance from an insurer authorized to issue such insurance in the CNMI. The right to compensation for benefits under the Commonwealth Workers' Compensation Law is the exclusive remedy against the employer for injury or death of an employee; provided that, if the employer fails to secure payment of compensation as required under the Law, the injured employee or his legal representative can elect either to claim compensation under the Law or to maintain an action at law for damages on account of such injury or death.

Immigration

Guam. Guam is subject to the immigration laws of the United States, which are administered and enforced by agencies of the federal government. In order for non-resident aliens to be employed in Guam, appropriate non-immigrant visas need to be obtained.

CNMI. Under the Covenant, the CNMI controlled its own immigration policy for many years. During this period, large numbers of foreign workers were brought to work in the hotel and visitor industries and many areas of employment in the CNMI. As a result, the CNMI economy became very dependent upon cheaper foreign labor, resulting in poor working conditions and labor abuses. As a consequence, the U.S. Congress exercised the right reserved to the U.S. in the Covenant to take control of immigration. Since 2009, the CNMI has been subject to the immigration laws of the United States, which are administered and enforced by agencies of the federal government.

A transition phase was necessary due to the large number of foreign workers on which the CNMI economy had become dependent. Many foreign workers had lived and worked in the CNMI for years, had been joined by their families and had children born in the CNMI, who are U.S. citizens as a result. The federal agencies and the CNMI government have struggled to deal with situation and to wean the CNMI off of its dependence on foreign labor, but those efforts have been slow to bear fruit. To provide a method for transition from the former CNMI foreign worker permit system to the U.S. immigration system, the federal government created the CW-1: CNMI-Only transitional worker and CW-2: Dependent of a CNMI-only transitional worker visa classifications, which allows employers in the CNMI to apply for permission to employ foreign (non-immigrant) workers who are otherwise ineligible to work under other nonimmigrant worker categories, and for the workers to have their families join them.

On July 24, 2018, U.S. President Donald Trump signed the Northern Mariana Islands U.S. Workforce Act of 2018, which extends the CW-1 program through December 31, 2029 and increases the cap on CW-1 visas from 4,999 to 13,000.

To qualify for workers with CW visa status, employers must:

- Be engaged in legitimate business
- Consider all available U.S. workers for the position
- Offer terms and conditions of employment consistent with the nature of the employer's business in the CNMI
- File the necessary forms to hire transitional workers
- Comply with all federal and CNMI requirements relating to employment
- Pay reasonable transportation costs of the individual to the individual's last place of foreign residence if the individual is involuntarily dismissed from employment for any reason before the end of the period of authorized admission

To be classified as a CW-1 nonimmigrant during the transition period, a foreign worker must:

- Be ineligible for any other employment-based nonimmigrant status under U.S. immigration law
- Enter or stay in the CNMI to work in an occupational category designated as needing alien workers to supplement the resident workers
- Be the beneficiary of a petition filed by a legitimate employer who is doing business in the CNMI
- Not be present in the U.S., other than the CNMI
- Be lawfully present in the CNMI if present in the CNMI
- Be otherwise inadmissible to the U.S. or granted any necessary waiver of a ground of inadmissibility

The USCIS grants CW status for foreign nationals who are already in the CNMI, not visas. CW status is valid for one year. The employee must re-register for CW status or obtain another nonimmigrant or immigrant classification to lawfully stay in the CNMI. Person with CW status are not permitted to travel in any other part of the U.S., including Guam, except for nationals of the Philippines who may travel between the P.I. and the CNMI through the Guam airport.

Legal advice recommended

Our CNMI and Guam Legal Adviser, Blair Sterling Johnson & Martinez, P.C., has sent to our Company a letter of advice summarizing certain aspects of laws and regulations in the CNMI and Guam. This letter is available for inspection as referred to in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection". Any person wishing to have a detailed summary of the laws and regulations in the CNMI and Guam or their application on our Group is recommended to seek independent legal advice.

TAXATION

The summary below gives an overview of certain tax implications in the CNMI, Guam, the Cayman Islands and Hong Kong that may be relevant to and material to our Group and the ownership, acquisition and disposal of our Shares and was prepared based on the laws, regulations, rulings and decision in effect as of the Latest Practicable Date, all of which are subject to change (possibly with retrospective effects). This summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, own or dispose of our Shares and does not purport to apply all categories of potential investors, some of whom may be subject to special rules or the tax regimes of jurisdictions other than the CNMI, Guam, the Cayman Islands and Hong Kong. Potential investors should consult their own tax advisers concerning the application of the CNMI, Guam and Hong Kong tax laws to their particular situation as well as any consequences of the acquisition, ownership and disposal of our Shares under the laws of any other taxing jurisdiction. The discussion below is merely an outline of the implication of the relevant tax laws.

Taxation applicable to our Group

Guam and CNMI corporations are considered "foreign" corporations for United States tax purposes. However, Guam or a CNMI corporations are not subject to United States withholding tax, provided (1) less than 25% of equity in the company (directly or indirectly) is owned by foreign persons, and (2) 65% or more of the company's gross income is derived from sources within Guam or the CNMI (as the case may be) for a three-year period. Further, an employee of a Guam company or a CNMI company generally would not pay United States income tax on his/her salary from the company if he/she is a "bona fide resident" of Guam or the CNMI (as the case may be).

A bona fide resident of Guam or the CNMI is generally someone who has presence in the relevant territory for at least 183 days that year, who does not have another home outside the islands during the taxable year, and who does not have a closer connection to the United States or another country. In general, taxation in Guam and the CNMI is largely based on the United States Internal Revenue Code ("**IRC**"), and their respective local tax system. Each government has its own independent tax department.

Indirect Taxation

CNMI. The primary local tax in the CNMI is a Business Gross Receipts Tax ("**BGRT**") imposed on all business' gross revenues that are CNMI sourced. The BGRT does not allow for the deduction of any costs in calculating the tax due. The rate of tax for BGRT is based on the annual business revenues and is up to 5% of its gross revenue. The BGRT is paid on a monthly basis, and is due by the end of the month in which the revenues were earned. Some exemptions from the BGRT are granted for specific activities and industries.

Guam. Business Gross Receipts Tax ("**BGRT**") is imposed against persons who conduct business in Guam. The tax is imposed on gross income earned from the conduct of a trade or business in Guam, at a rate of 5%. The tax applies to most service businesses and the sale of tangible personal property in Guam. The BGRT is paid on a monthly basis, and is due by the 20^{th} day of the following month. Numerous exemptions from the tax are granted for specific activities and industries.

Net Income Tax

CNMI. The CNMI adopted most sections of the IRC as its territorial income tax law, its tax is known as the Northern Marianas Territorial Income Tax (“**NMTIT**”). Under the NMTIT, corporations operating in the CNMI determine their income tax liability using the provisions of the IRC, with a few modifications.

The BGRT mentioned above is typically not deducted on the corporate net income tax return (although that is an option). Instead, a provision in the NMTIT allows the BGRT to be taken as a non-refundable credit against a person’s net income tax calculated under the NMTIT. The CNMI net corporate income taxes is calculated according to the provisions of the NMTIT. The corporate tax rate is 21% of the corporate’s taxable income for taxable years ended in 2018. There is a rebate of income taxes available in the CNMI. Corporations first calculate their income tax liability in accordance with the NMTIT. Next, they reduce the calculated income tax by the BGRT paid for the fiscal year. The result is called the rebate base. The rebate is 90% of the first US$20,000 of rebate base, 70% of the next US$80,000 of rebate base plus a sum of US$18,000, and 50% if any rebate base that is more than US$100,000 plus a sum of US$74,000. Corporations are required to file an income tax return for the calendar year on or before April 15 of the following year. Corporations on a fiscal year basis must file income tax return on the 15th day of the fourth month following the close of the fiscal year.

Guam. Guam also adopted most sections of the IRC under the Organic Act of Guam in 1950. Guam corporations are subject to income tax on their income from all sources. Other corporations doing business in Guam incur income tax liabilities to Guam on all Guam source income. The net income tax due is calculated on the corporation’s taxation income as computed under the provisions of the Guam Territorial Income Law. The corporate income tax rate for fiscal years ended 2018 is 21%. Corporations are required to file an income tax return for the calendar year on or before April 15 of the following year. Corporations on a fiscal year basis must file income tax return on the 15th day of the fourth month following the close of the fiscal year.

Other local taxes

Real property tax

Guam. Real property taxes in Guam are computed by applying a levy amount to a taxable base. The base is the 90% of the appraised value of the property, minus any tax exemptions. The levy rate is approved by the Government. Real property taxes are applicable to both land and buildings on the land, which have different tax rates. For land, there is a yearly tax at the rate of 7/72% (i.e. 0.0972%) of the value of the land. For buildings on the land, there is a yearly tax at the rate of 7/9% (i.e. 0.777%) of the value of such improvements on the land. In addition, there is a further levy of 7/9% (i.e. 0.777%) of the value of such improvements on the land on improvements with a value of US$1 million or above.

CNMI. The CNMI currently has no real property taxes.

Import, excise and beatification tax or use tax

CNMI. The CNMI imposes an excise, or import, tax on goods imported for use in the CNMI. The rate of tax varies depending on the type of item brought in to the CNMI. The tax is imposed on the cost of the item, excluding any shipping costs or insurance. The tax is assessed at the point of entry into the CNMI, whether it is by ship, by airplane, or through the postal system. Foodstuff, hygiene and toiletries that are imported are taxed at 1.0%. There are various rates of import tax depending on the type of item. If an item is not specified, the import tax rate is 5.0%.

If a foreign company sends equipment to the CNMI to be used in the CNMI by a subsidiary, the foreign company would be liable for the excise tax. The tax could be paid by the subsidiary, but remains the obligation of the parent company.

In addition to the excise tax imposed on the importation of goods, there is an additional rate of 0.42% ad valorem assessed on all consumer goods.

Guam. Guam imposes use tax on the goods imported for storage, use or consumption in Guam. As of December 31, 2018, the rate of the tax imposed shall be 4.0% on the landed value of such goods. Other miscellaneous business fees and taxes are levied in Guam.

Taxation applicable to our Shareholders

Dividends and distributions

No tax is payable or withheld on (if any) dividends or other distributions declared and paid by our Company. A 30% withholding tax applies to distributions of passive income from Guam or CNMI sources to any foreign person. A foreign person for this purpose is any person other than a resident of Guam, the CNMI and the US, or a corporation formed in Guam, the CNMI, the US or any foreign country. The Guam Department of Revenue & Taxation has also stated informally the corporations organized in the CNMI are "foreign" corporations for Guam tax purposes. This subject distributions of passive income from Guam sources to any CNMI corporation to the 30% withholding tax. Therefore, dividend, if any, distributed by our operating subsidiaries incorporated or organized in each of the CNMI and Guam (as the case may be) to our Company or our subsidiaries incorporated outside of such jurisdiction are subject to a withheld income tax at the rate of 30%, subject to applicable tax relief from time to time.

Capital gains tax

Cayman Islands. The Cayman Islands currently levy no taxes on individuals or corporations based upon capital gains or appreciations.

Hong Kong. Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares.

United States (including Guam and the CNMI). In respect of US Holders (as defined below), any capital gain or loss realized upon a sale of our Shares generally is treated as a long-term capital gain or loss if our Shares have been held for more than one year and as a short-term capital gain or loss if Shares have been held for one year or less. However, any capital loss on a sale of Shares held for six months or less is treated as long-term capital loss to the extent of capital gain dividends paid with respect to such Shares. Short-term capital gains of individual US holders are taxed at regular ordinary income graduated rates. The ability to deduct capital losses may be limited. A US corporate shareholder's long and short-term capital gains are taxed at 21% for fiscal years ended in 2018.

Save for the US Holders, no income tax are levied on the capital gains from the trading, dealing in or disposal of our Shares.

For the purposes of this section, a "US Holder" is any beneficial owner of our Shares that is (1) a citizen or resident of the United States, (2) a corporation organized under the laws of the United States which pays federal income tax on a net income basis in respect of a Share, or (3) an estate or trust the income of which is subject to United States Federal income tax without regard to its source. In the case of a partnership that owns our Shares, any partner who falls within the above description is generally a US Holder.

Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp duty

Hong Kong. Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

TAX ADVICE RECOMMENDED

Our Tax Adviser, Arnett Consulting, LLC, has sent to our Company a letter of advice summarizing certain aspects of tax laws and regulations in the CNMI and Guam. This letter is available for inspection as referred to in "Appendix VI — Documents Delivered to the Registrar of Companies and Available for Inspection". Any person wishing to have a detailed summary of the tax laws in the CNMI and Guam or their application on our Group or him/her is recommended to seek independent tax advice.

HISTORY AND ORIGIN

We are one of the leading leisure tourism groups in Saipan and Guam, the U.S. island territories located in the Western Pacific Region. From our origin as an operator of 1 single hotel in Saipan, we have since grown our hotel and resort portfolio with the addition of 3 luxurious, full-service resorts in Saipan and Guam. Today, the footprints of our tourism operations and activities have extended to the business of luxury travel retail in Saipan, Guam and Hawaii and destination services in Saipan.

Our 21-year history of leisure tourism business began in April 1997, when the Tan Family, under the leadership of Chairman Tan and Dr. Henry Tan, acquired today's *Century Hotel* with capital generated from the family's other business ventures. At the time, Saipan was just hitting its stride to become an emerging beach holiday destination and our early market entry gave us a first-mover advantage that helped us become a market leader today. Our first hotel in Saipan was followed by gradual expansion in the following years by adding to our portfolio today's *Fiesta Resort Saipan* in January 2002 and today's *Kanoa Resort* in June 2005, rounding out what would become the largest network of holiday accommodation in Saipan in terms of revenue, number of properties and number of rooms sold in 2017. In May 2002, we took our first step into Guam with the acquisition of today's *Fiesta Resort Guam*. Together, we have witnessed the development of Saipan and Guam as up-and-coming holiday destinations and grew with the local leisure tourism market.

Around a decade after launching our 4 hotels and resorts, we started our current luxury travel retail business in August 2014 when we acquired a 75% interest in a retail operation in Guam. The next 4 years saw the strategic development of our luxury retail brand collection into today's offering of 8 world-renowned brands of luxury and leisure clothing, leather goods and fashion accessories. We launched our first boutique in Saipan in August 2016, riding on the sizable traveler base we gather through our hotels and resorts, and in April 2018 we ventured into the Hawaii market by taking over a 5-boutique retail operation under an American leisure accessory brand in Honolulu.

In October 2012, we became the one of the first hotel and resort operators in Saipan to broaden its business profile into destination-based concierge and travel management services. We further diversified our destination services offering in November 2014 when we incepted *Let's Go Tour*, a popular jungle and mountain adventure. We continued to lead the market with unique excursion tours such as *SeaTouch*, a one-of-a-kind stingray interaction experience (December 2016) and *Jetovator*, the only hydro-powered jetski experience which "flies" participants above Saipan's waters (January 2017).

Our leisure tourism business has been a part of the Tan Family's business ventures since our inception, and has been operated under the leadership and ultimate control of Chairman Tan, the family's patriarch, and Dr. Henry Tan, his eldest son, both well-respected entrepreneurs in Hong Kong, China and the Western Pacific Region. Throughout our history, we expanded primarily through acquisitions of local businesses with certain scale of operations, minimizing their ramp-up periods and giving us a foundation on which we optimize and often grow their performance and market position with our unique management insights and strong industry knowledge. Our business was consolidated under our Company, the vehicle of the Listing, by virtue of our Reorganization. See "Directors and Senior Management" for the qualifications and experiences of Chairman Tan and Dr. Henry Tan, and "— Reorganization" below for our pre-Listing restructuring arrangements.

From our beginning 21 years ago, we have stood by our corporate mission of offering leisure travelers memorable and unique holiday experiences encompassing our corporate name, "S.A.I. — Sea, Air and Island".

HISTORY AND DEVELOPMENT

Key business milestones

The key milestones of our 21-year history of leisure tourism business include:-

1997

April
We acquired Oriental Hotel, today's *Century Hotel*, marking the beginning of our 21 years of leisure tourism business.

2000

December
Oriental Hotel was re-branded into today's ***Century Hotel***, our affordable accommodation targeted towards budget holiday-makers and business travelers.

2002

January
We acquired Dai-Ichi Saipan Beach Hotel, today's ***Fiesta Resort Saipan***.

May
We acquired Dai-Ichi Hotel, today's ***Fiesta Resort Guam***, as we took our first step into the Guam hotels and resorts industry.

2004

October
Full-scale room and facility upgrade commenced at our ***Fiesta Resort Guam***.

2005

May
Dai-Ichi Saipan Beach Hotel was officially re-branded as ***Fiesta Resort Saipan*** as the resort completed a major renovation which built its foundation as a full-service, family-style resort today.

June
We acquired Saipan Grand Hotel, today's ***Kanoa Resort***.

August
Dai-Ichi Hotel was rebranded as today's ***Fiesta Resort Guam***.

2008

November
A new beachside barbecue facility opened at our ***Fiesta Resort Guam***, which would become one of its key attractions featuring indigenous dances and performance.

2012

January
Saipan Grand Hotel was officially rebranded as ***Kanoa Resort***.

October
We became one of the first hotel and resort operators in Saipan to broaden its business profile with ***destination-based concierge and travel management services***.

2014

January
Our first ***iShop*** souvenir and amenities store opened within the premises of our *Fiesta Resort Saipan,* stocking a range of localities and travel essentials.

August
We launched our ***Luxury Travel Retail Sector*** as we acquired a 75% interest in a retail operation in Guam.

2014	**November**	We launched our first unique excursion tour, ***Let's Go Tour***, a jungle and mountain adventure using 4-wheel drive vehicles imported from the U.S. mainland.
2016	**August**	We expanded our ***Luxury Travel Retail Sector*** into Saipan with a new boutique under an American clothing and accessory brand. In the year, we launched 1 new boutique in Saipan and 2 boutiques in Guam.
	December	We began to operate ***SeaTouch***, our one-of-a-kind stingray interaction experience, directly adjacent to our *Fiesta Resort Saipan*.
2017	**January**	***Jetovator***, our unique hydro-powered jetski that propels participants above sea-level, was launched as the latest addition to our Destination Services Sector.
		In 2017, new point-of-sales and asset management systems, Opera and Simphony, were implemented across our ***Hotels & Resorts Sector*** to improve our operational efficiency.
		In 2017, our ***Luxury Travel Retail Sector*** boosted its operational scale with the addition of 1 boutique in Guam and 4 boutiques in Saipan. We also expanded our brand portfolio by securing additional world-renowned brands in Saipan.
2018	**March**	We began to gradually implement a new reservation system across our 4 ***hotels and resorts*** which gives us real-time access to our room inventory, pricing status across different booking channels and useful statistics of our main peers.
	April	We marked our presence in ***Hawaii*** as we took over a 5-boutique retail operation based in Honolulu under an American leisure accessory brand.
	December	We expanded the brand offering of our ***Luxury Travel Retail Sector*** with the addition of a French luxury brand.

CORPORATE DEVELOPMENT

Our Group comprises our Company, 4 intermediate holding companies and 14 operating subsidiaries, which had each commenced business after their respective incorporation dates. The information of our Group companies, together with their corporate development history, are as follows:-

Our Company

Our Company was incorporated on October 18, 2018 in the Cayman Islands as an exempted company with limited liability. On incorporation, our authorized share capital was HK$380,000, divided into 38,000,000 Shares of HK$0.01 each, of which 1 Share was issued and allotted to our initial subscriber and subsequently transferred to THC Leisure on the same day.

The principal activity of our Company is investment holding. As part of our Reorganization, our Company became the holding company of our Group and will be the vehicle of the Listing. See "— Reorganization" below for details.

Operating entities of our Hotels & Resorts Sector

Name	Date and place of incorporation	Authorized shares	Issued shares(1)	Shareholder(s) prior to our Reorganization	Principal activities
Asia Pacific Hotels, Inc. ("**APHI Saipan**")	November 19, 1997 *(CNMI)*	15,000,000 (US$1 each)	15,000,000 (US$1 each)	**100%** by Tan Holdings	Operation of *Fiesta Resort Saipan*, *Kanoa Resort and Century Hotel*
Asia Pacific Hotels, Inc. (Guam) ("**APHI Guam**") .	April 29, 2002 *(Guam)*	10,000,000 (US$1 each)	9,500,000(2) (US$1 each)	**100%** by Tan Holdings(3)	Operation of *Fiesta Resort Guam*
CKR, LLC	June 28, 2012 *(CNMI)*	N/A(4)	N/A(4)	**100**% by Tan Holdings(5)	Signing entity of a number of third-party service and facility concessions

Notes:

(1) "Issued share(s)" includes treasury shares (if any).

(2) APHI Guam has an issued and outstanding share capital of 9,500,000 shares, of which 5 are treasury shares registered in its own name. They do not carry voting rights.

(3) APHI Guam was indirectly wholly-owned by Tan Holdings through L&T (Guam) Corporation, its directly wholly-owned subsidiary (except for 7 director qualifying shares in L&T (Guam) Corporation).

(4) CKR, LLC is a limited liability company which does not have the concept of shares or stock. The percentage of membership interests in this company is shown above instead.

(5) CKR, LLC was indirectly wholly-owned by Tan Holdings through APHI Saipan.

The corporate development history of our Hotels & Resorts Sector's operating entities is as follows:-

— ***APHI Saipan***. APHI Saipan was incorporated on November 19, 1997. On incorporation, APHI Saipan had 1,500,000 issued shares of US$1 each, all of which were issued and allotted to Tan Holdings. APHI is the operating entity of our hotels and resorts in Saipan, namely *Fiesta Resort Saipan*, *Kanoa Resort* and *Century Hotel*, which were acquired by us in the following manner:-

(1) Pursuant to a sale and purchase agreement dated April 28, 1997, L&T Group of Companies, Ltd., a directly wholly-owned subsidiary of Tan Holdings, acquired the business and assets (including leased land parcel and leasehold interests in buildings and improvements) of Oriental Hotel, today's *Century Hotel*, from World Trading Corporation, an independent third party, at a consideration of US$1.9 million in aggregate calculated based on arm's length negotiation. Oriental Hotel was subsequently rebranded as today's *Century Hotel* in December 2000 and was transferred to APHI Saipan on January 5, 2005. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of Oriental Hotel by L&T Group of Companies, Ltd. and APHI Saipan was properly and legally completed and settled in April 1997 and January 2005, respectively, and no regulatory approval was required.

(2) Pursuant to a sale and purchase agreement dated January 31, 2002, APHI Saipan acquired the business and assets (including leased land parcel and the leasehold interests in buildings and improvements) of Dai-Ichi Saipan Beach Hotel, today's *Fiesta Resort Saipan*, from Pacific Micronesia Corporation, an independent third party, at a consideration of US$14 million in aggregate calculated based on arm's length negotiation. Dai-Ichi Saipan Beach Hotel was rebranded as today's *Fiesta Resort Saipan* in May 2005. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of Dai-Ichi Saipan Beach Hotel was properly and legally completed and settled in January 2002 and the required approval from the relevant CNMI authorities was obtained.

(3) Pursuant to a sale and purchase agreement dated December 3, 2004, APHI Saipan acquired the business and assets (including leased land parcel and the leasehold interests in buildings and improvements) of Saipan Grand Hotel, today's *Kanoa Resort*, from Micro Pacific Development, Inc. and Nagoya Railroad Company Ltd., each an independent third party, at a consideration of US$4.5 million in aggregate calculated based on arm's length negotiation. Saipan Grand Hotel was rebranded as today's *Kanoa Resort* in January 2012. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of Saipan Grand Hotel was properly and legally completed and settled in June 2005 and the required approval from the relevant CNMI authorities was obtained.

On December 19, 2005, the board of directors and sole shareholder of APHI Saipan resolved to convert to equity US$13.5 million owed to Tan Holdings by issuing 13,500,000 additional shares to Tan Holdings. As a result of this conversion, APHI Saipan had 15,000,000 issued shares, all of which were issued and allotted to Tan Holdings.

- ***APHI Guam***. APHI Guam was incorporated on April 29, 2002. On incorporation, APHI Guam had 5,000,000 issued shares of US$1 each, of which 4,999,995 shares were issued and allotted to L&T (Guam) Corporation, a directly wholly-owned subsidiary of Tan Holdings (except for 7 director qualifying shares in L&T (Guam) Corporation) and 1 share each was issued and allotted to 5 directors as qualifying shares. Pursuant to a sale and purchase agreement dated May 3, 2002, APHI Guam acquired the business and assets (including leased and owned land parcels and leasehold interests in buildings and improvements) of Dai-Ichi Hotel, today's *Fiesta Resort Guam*, from Guam Dai-Ichi Hotel, Inc., an independent third party, at a consideration of US$5.5 million in aggregate calculated based on arm's length negotiation. Dai-Ichi Hotel was rebranded as today's *Fiesta Resort Guam* in August 2005. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of Dai-Ichi Hotel was properly and legally completed and settled in May 2002 and the required approval of the lessor was obtained. No regulatory approval was required.

  On December 20, 2005, the board of directors of APHI Guam resolved to convert to equity US$5,000,000 owed to APHI Saipan that had been assigned to L&T (Guam) Corporation and the issue of 5,000,000 additional shares to L&T (Guam) Corporation. As a result of this conversion, APHI Guam had 9,500,000 issued shares, of which 9,499,995 shares were issued and allotted to L&T (Guam) Corporation and 5 were directors qualifying shares. The requirement for director qualifying shares has since been abolished in Guam. On August 28, 2018, APHI Guam redeemed the 5 director qualifying shares, which are now held as treasury shares in its issued and outstanding share capital.

- CKR, LLC has been directly wholly-owned by APHI Saipan since its organization and is the signing entity of a number of third-party service and facility concessions.

Except as set out above, there had been no change to the shareholding and capital structure of the operating entities of our Hotels & Resorts Sector during the Track Record Period and up to the implementation of our Reorganization.

Operating entities of our Luxury Travel Retail Sector

Name	Date and place of incorporation	Authorized shares	Issued shares	Shareholder(s) prior to our Reorganization	Principal activities
Gemkell Corporation (“**Gemkell Guam**”)	January 26, 2004 *(Guam)*	100,000 (US$1 each)	80,000 (US$1 each)	**75%** by Tan Holdings(1), **25%** by Mr. Hawes	Travel retail operation in Guam
Gemkell (Saipan) Corporation (“**Gemkell Saipan**”) . . .	June 10, 2016 *(CNMI)*	100,000 (US$1 each)	100,000 (US$1 each)	**75%** by Luen Thai Group Limited(2), **25%** by Mr. Hawes	Travel retail operation in Saipan
Gemkell U.S.A. LLC (“**Gemkell Hawaii**”). . . .	February 20, 2018 *(Hawaii)*	N/A(3)	N/A(3)	**75%** by Tan Holdings(4)	Travel retail operation in Hawaii
Taga Fashion Group, LLC. .	November 3, 2006 *(Guam)*	N/A(3)	N/A(3)	**75%** by Tan Holdings(4)	Travel retail operation in Guam
Ellen Group, LLC.	March 19, 2012 *(Guam)*	N/A(3)	N/A(3)	**75%** by Tan Holdings(4)	Travel retail operation in Guam
Hawes Group, LLC	November 29, 2006 *(Guam)*	N/A(3)	N/A(3)	**75%** by Tan Holdings(4)	Travel retail operation in Guam

Notes:

(1) Gemkell Guam was indirectly owned by Tan Holdings through L&T (Guam) Corporation, its direct wholly-owned subsidiary (except for 7 director qualifying shares in L&T (Guam) Corporation).

(2) Gemkell Saipan was indirectly owned by Luen Thai Group Limited through Leap Glory Limited and Luen Thai Enterprises Ltd., each being its indirectly wholly-owned subsidiary.

(3) Each of Gemkell Hawaii, Taga Fashion Group, LLC, Hawes Group, LLC and Ellen Group, LLC are limited liability companies which do not have the concept of shares or stock. The percentage of membership interests in these companies are shown above instead.

(4) Each of Gemkell Hawaii, Taga Fashion Group, LCC, Hawes Group, LLC and Ellen Group, LLC was indirectly owned as to 75% by Tan Holdings through Gemkell Guam.

The corporate development history of our Luxury Travel Retail Sector's operating entities is as follows:-

— ***Gemkell Guam***. Gemkell Guam was incorporated on January 26, 2004. On incorporation, Gemkell Guam had 80,000 issued shares of US$1 each, of which 41,000 shares and 39,000 shares were issued and allotted to Mr. Hawes and Miss Jennifer Dawn BODEN (an independent third party), respectively. Mr. Thomas C MOODY III also held 1 share as a director's qualification share. On August 22, 2014, Mr. Hawes acquired 39,000 shares from Miss Boden in consideration for US$391,629 in aggregate and Mr. Moody's director qualification share was subsequently surrendered. As a result, Mr. Hawes became the sole shareholder of 80,000 shares in Gemkell Guam.

Pursuant to a stock purchase agreement dated August 26, 2014, Tan Holdings, through L&T (Guam) Corporation, acquired 60,000 shares in Gemkell Guam, representing 75% of its issued share capital, from Mr. Hawes the consideration was US$6.4 million in aggregate calculated based on arm's length negotiation. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of the 75% interests in Gemkell Guam was properly and legally completed and settled in September 2014 and no regulatory approval was required.

- ***Gemkell Saipan.*** Gemkell Saipan was incorporated on June 10, 2016. On incorporation, Gemkell Saipan had 100,000 issued shares of US$1 each, of which 75,000 and 25,000 shares were issued and allotted to Luen Thai Enterprises Ltd. (a BVI company indirectly wholly-owned by Luen Thai Group Limited, an investment holding entity of the Tan Family controlled by Chairman Tan and Dr. Henry Tan) and Mr. Hawes, respectively.
- ***Gemkell Hawaii***. Gemkell Hawaii was organized on February 20, 2018. At the time of organization, the entire membership interests in Gemkell Hawaii were owned by Gemkell Guam.
- Each of Taga Fashion Group, LLC, Ellen Group, LLC and Hawes Group, LLC is an operating entity of our Luxury Travel Retail Sector in Guam, and had been wholly-owned by Gemkell Guam throughout the Track Record Period.

Except as set out above, there had been no change to the shareholding and capital structure of the operating entities of our Luxury Travel Retail Sector during the Track Record Period and up to the implementation of our Reorganization.

Operating entities of our Destination Services Sector

Name	Date and place of incorporation	Authorized shares	Issued shares	Shareholder(s) prior to our Reorganization	Principal activities
Century Tours, Inc. ("**Century Tours**"). . .	October 23, 2012 *(CNMI)*	1,000,000 (US$1 each)	1,000,000 (US$1 each)	**100%** by Luen Thai Group Limited(1)	Provision of destination-based concierge and travel management services in Saipan, *iShop* operation
Let's Go Tour Company ("**Let's Go**")	November 19, 2014 *(CNMI)*	1,000,000 (US$1 each)	500,000 (US$1 each)	**100%** by Tan Holdings	*Let's Go Tour* excursion tour operation in Saipan
J&K Marine Sports, Inc.("**JK Marine**") . . .	November 2, 2000 *(CNMI)*	50,000 (US$1 each)	50,000 (US$1 each)	**100%** by Tan Holdings(2)	*Jetovator* excursion tour operation in Saipan
Sea-Touch, LLC ("**Sea Touch**")	October 3, 2013 *(CNMI)*	N/A(3)	N/A(3)	**100%** by Tan Holdings(2)	*SeaTouch* excursion tour operation in Saipan
Saipan Adventures, Inc. ("**Saipan Adventures**")	September 24, 2013 *(CNMI)*	200,000 (US$1 each)	100,000 (US$1 each)	**100%** by Tan Holdings	Provision of booking services for third-party operated activities and tours in Saipan

Notes:

(1) Century Tours was indirectly wholly-owned by Luen Thai Group Limited through Luen Thai Leisure Company Limited, its indirectly wholly-owned subsidiary.

(2) Each of JK Marine and Sea Touch was indirectly wholly-owned by Tan Holdings through Let's Go.

(3) Sea Touch is a limited liability company which does not have the concept of shares or stock. The percentage of membership interests in Sea Touch are instead shown above.

The corporate development history of our Destination Services Sector's operating entities is as follows:-

— ***Century Tours***. Century Tours was incorporated on October 23, 2012. On incorporation, Century Tours had 10,000 issued shares of US$1 each, all of which were issued and allotted to Luen Thai Leisure Company Limited (a BVI company indirectly wholly-owned by Luen Thai Group Limited, an investment holding entity of the Tan Family controlled by Chairman Tan and Dr. Henry Tan). Subsequently in January 20, 2013, an additional 990,000 shares of US$1 each were issued and allotted to Luen Thai Leisure Company Limited, as a result of which Century Tours had 1,000,000 issued shares wholly-owned by Luen Thai Leisure Company Limited prior to our Reorganization.

— ***Let's Go***. Let's Go was incorporated on November 19, 2014. On incorporation, Let's Go had 100,000 issued shares of US$1 each, all of which were issued and allotted to Tan Holdings. Subsequently in January 31, 2015 and December 31, 2016, an additional 100,000 and 300,000 shares, respectively, of US$1 each, were issued and allotted to Tan Holdings, as a result of which Let's Go had 500,000 issued shares wholly-owned by Tan Holdings prior to our Reorganization.

— ***JK Marine***. JK Marine was incorporated on November 2, 2000. On incorporation, JK Marine had 50,000 issued shares of US$1 each, of which 25,000 shares were issued and allotted to each of Mr. Jose A. DELEON GUERRERO and Mrs. Kimiko T. DELEON GUERRERO, independent third parties. On April 24, 2017, Let's Go acquired 50,000 shares in JK Marine, representing its entire issued share capital from Mr. and Mrs. Deleon Guerreo in consideration for US$50,000 in aggregate calculated based on arm's length basis. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of JK Marine Sports was properly and legally completed and settled in April 2017 and no regulatory approval was required.

— ***Sea Touch***. Sea Touch was organized on October 3, 2013. At the time of organization, the entire membership interests in Sea Touch were owned by Baldyga Group, LLC, an independent third party. On June 7, 2016, Tan Holdings acquired the entire membership interests in Sea Touch from Baldyga Group, LLC in consideration for an aggregate of US$300,000 calculated based on arm's length negotiation. Our CNMI and Guam Legal Adviser has confirmed that the acquisition of Sea Touch was properly and legally completed and settled in June 2016 and no regulatory approval was required. Subsequently on January 1, 2017, Tan Holdings transferred the entire membership interests in Sea Touch to Let's Go as an internal restructuring exercise, as a result of which Let's Go became the sole member of Sea Touch.

— ***Saipan Adventures***. Saipan Adventures was incorporated on September 24, 2013. On incorporation, Saipan Adventures had 100,000 issued shares of US$1 each, all of which were issued and allotted to Tan Holdings.

Except as set out above, there had been no change to the shareholding and capital structure of the operating entities of our Destination Services Sector during the Track Record Period and up to the implementation of our Reorganization.

Intermediate holding entities

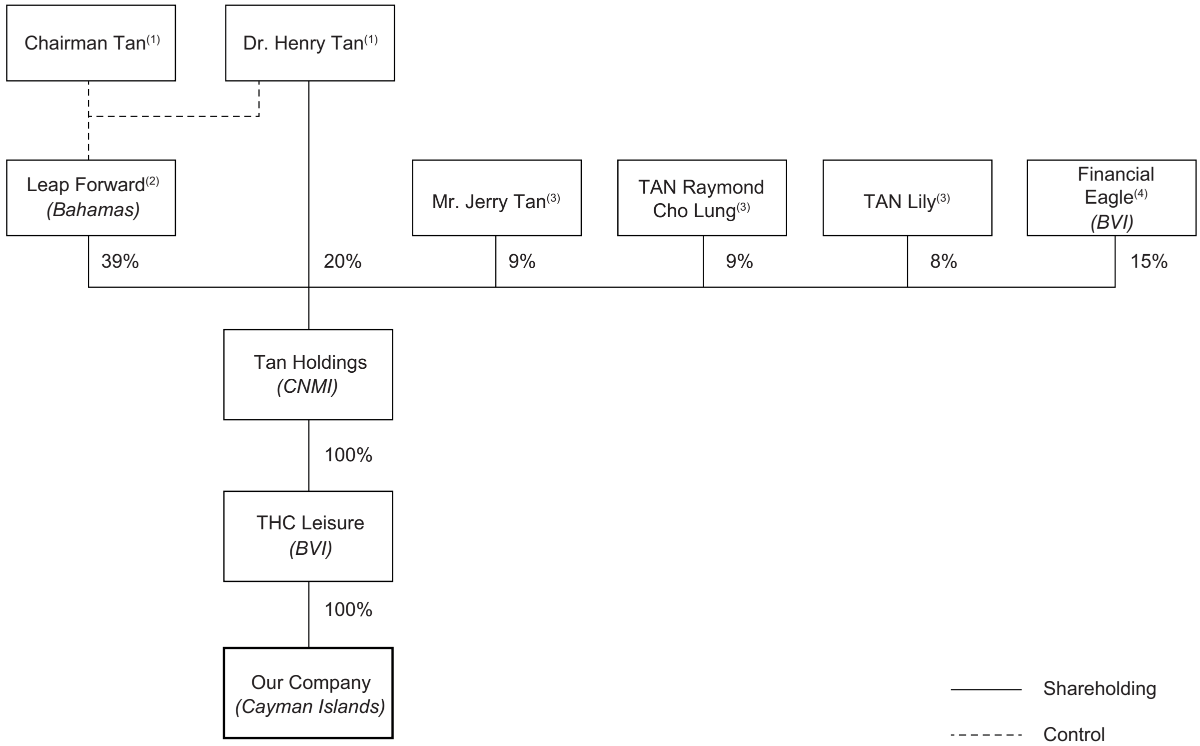
The chart below shows the corporate information of our investment holding entities:-

Name	Date and place of incorporation	Authorized shares	Issued shares	Shareholder(s) prior to our Reorganization	Principal activities
S.A.I. CNMI Holdings Limited ("**S.A.I. CNMI Holdings**")	October 18, 2018 *(BVI)*	50,000 (*nil* par value)	1 (*nil* par value)	Incorporated pursuant to our Reorganization	Investment holding
S.A.I. Guam Holdings Limited ("**S.A.I. Guam Holdings**")	October 18, 2018 *(BVI)*	50,000 (*nil* par value)	1 (*nil* par value)	Incorporated pursuant to our Reorganization	Investment holding
S.A.I. CNMI Tourism Inc. ("**S.A.I. CNMI Tourism**")	November 9, 2018 *(CNMI)*	1,000,000 (US$1 per share)	100 (US$1 per share)	Incorporated pursuant to our Reorganization	Investment holding
S.A.I. Guam Tourism Inc. ("**S.A.I. Guam Tourism**").	October 24, 2018 *(Guam)*	50,000 (US$1 per share)	10,000 (US$1 per share)	Incorporated pursuant to our Reorganization	Investment holding

SHAREHOLDERS PROFILE

Our leisure tourism business has been a part of the Tan Family's business portfolio since our inception, with Chairman Tan (Chairman of our Board and a Non-Executive Director), the family patriarch, and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer), his eldest son, exercising ultimate control. Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), our Company will be owned as to 75% by THC Leisure, which in turn is directly wholly-owned by Tan Holdings.

Tan Holdings is a family investment holding entity of the Tan Family. Its shareholding structure during the Track Record Period and up to the Latest Practicable Date was as follows:-



Notes:

(1) Chairman Tan (Chairman of our Board and a Non-Executive Director) and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) act in concert in respect of the affairs of our Group. See "Relationship with our Controlling Shareholders — Controlling Shareholders Acting in Concert" for details.

(2) Leap Forward is wholly-owned by a discretionary family trust of the Tan Family. Chairman Tan is the settlor. Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward as they form the majority of (a) its board of directors, and (b) the protectors of the said discretionary family trust. The beneficiaries are members of the Tan Family.

(3) Mr. Jerry Tan (a member of our senior management), Mr. TAN Cho Lung Raymond and Miss TAN Lily are each a sibling of Dr. Henry Tan and a child of Chairman Tan.

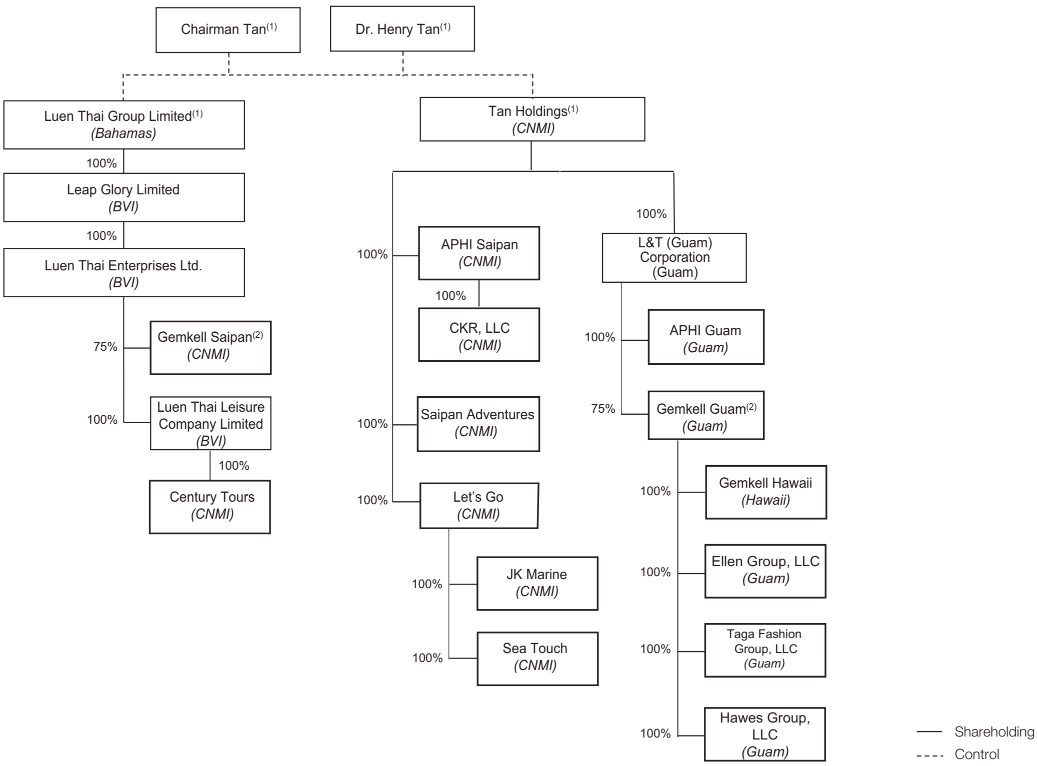
(4) Financial Eagle is wholly-owned by a discretionary family trust of the Tan Family. Dr. Henry Tan is the settlor and Mr. Victor YANG, an independent third party, acts as the protector. The beneficiaries are members of the Tan Family.

Chairman Tan and Dr. Henry Tan have ultimate influence and control over our Group because (1) they control Leap Forward (a 39% shareholder of Tan Holdings, which indirectly wholly-owns our Company), forming the majority of its board of directors and the protectors of a discretionary family trust which holds the entire equity interests in Leap Forward, (2) they act in concert with each other in respect of the affairs of our Group, and (3) within the Tan Family, there is family consensus and arrangements which give Chairman Tan and Dr. Henry Tan ultimate control and final decision-making power over the management and ownership of all family business ventures held through Tan Holdings. Upon Listing, Chairman Tan and Dr. Henry Tan will continue to exercise their ultimate control over our Group within the boundary of the Listing Rules, Takeovers Code and all other applicable laws and regulations in Hong Kong and elsewhere. See "Relationship with our Controlling Shareholders" for the background of Chairman Tan and Dr. Henry Tan, their acting in concert arrangements and their overall control over our Group.

All of our operating subsidiaries were directly or indirectly held by Tan Holdings immediately prior to the implementation of our Reorganization, with the exception of Century Tours and Gemkell Saipan. These 2 entities were held by the Tan Family through Luen Thai Group Limited, another family investment holding entity which is owned as to (1) 30% by Crystal Clear Investment Limited, which in turn is wholly-owned by a discretionary family trust identical to Leap Forward's, (2) 55% by Dr. Henry Tan, and (3) 15% by Excel Partners Ventures Limited, which is in turn wholly-owned by a discretionary family trust identical to Financial Eagle's. Chairman Tan and Dr. Henry Tan exercise the ultimate control over the business profile of Luen Thai Group Limited in the same way as they do over the other family business ventures held through Tan Holdings. They therefore together retain the ultimate controlling interests and exert management influence over all of our operating subsidiaries (including Century Tours and Gemkell Saipan) before and after our Reorganization.

REORGANIZATION

The chart below shows the simplified shareholding and corporate structure of our Group immediately prior to the implementation of our Reorganization:-



Notes:

(1) Chairman Tan (Chairman of our Board and a Non-Executive Director) and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) control both Tan Holdings and Luen Thai Group Limited and their respective subsidiaries. See "— Shareholders Profile" above for details.

(2) Each of Gemkell Guam and Gemkell Saipan is owned as to 25% by Mr. Hawes, a core connected person of our Company under the Listing Rules only by virtue of his interests, directorship and as a manager at subsidiary level.

We implemented our Reorganization in preparation for the Listing to incorporate our Company as the holding company of our Group and the vehicle of the Listing, and to consolidate our various business units under our Company. Our Reorganization had the following steps:-

1. **Incorporation of THC Leisure, our Company, S.A.I. CNMI Holdings, S.A.I. CNMI Tourism, S.A.I. Guam Holdings and S.A.I. Guam Tourism**

THC Leisure was incorporated on October 18, 2018 in the BVI as a company with limited liability. On incorporation, the number of authorized shares was 50,000 shares of *nil* par value, of which 1 share was issued and allotted to the initial subscriber and subsequently transferred to Tan Holdings. THC Leisure is intended to be the direct shareholder of our Company.

On October 18, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. On incorporation, the authorized share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which 1 Share was issued and allotted to the initial subscriber and subsequently transferred to THC Leisure.

S.A.I. CNMI Holdings was incorporated on October 18, 2018 in the BVI as a company with limited liability. On incorporation, the number of authorized shares was 50,000 shares of *nil* par value, of which 1 share was issued and allotted to the initial subscriber and subsequently transferred to our Company. S.A.I. CNMI Holdings is intended to be the intermediate holding company of S.A.I. CNMI Tourism and our operating entities incorporated in the CNMI.

S.A.I. Guam Holdings was incorporated on October 18, 2018 in the BVI as a company with limited liability. On incorporation, the number of authorized shares was 50,000 shares of nil par value, of which 1 share was issued and allotted to the initial subscriber and subsequently transferred to our Company. S.A.I. Guam Holdings is intended to be the intermediate holding company of S.A.I. Guam Tourism and our operating entities incorporated in Guam and Hawaii.

S.A.I. Guam Tourism was incorporated on October 24, 2018 in Guam as a corporation with limited liability. On incorporation, the authorized share capital was US$50,000 divided into 50,000 shares of US$1 each, of which 10,000 shares were issued and allotted to the initial incorporator and subsequently transferred to S.A.I. Guam Holdings. S.A.I. Guam Tourism is intended to be the intermediate holding company of the operating entities incorporated in Guam and Hawaii.

S.A.I. CNMI Tourism was incorporated on November 9, 2018 in the CNMI as a corporation with limited liability. On incorporation, the authorized share capital was US$1,000,000 divided into 1,000,000 shares of US$1 each, of which 100 shares were issued and allotted to the initial incorporator and subsequently transferred to S.A.I. CNMI Holdings. S.A.I. CNMI Tourism is intended to be the intermediate holding company of the operating entities incorporated in the CNMI.

2. **Transfer of Century Tours**

On November 15, 2018, Luen Thai Leisure Company Limited transferred 1,000,000 shares, representing the entire issued share capital of Century Tours, to S.A.I. CNMI Tourism, in consideration for which THC Leisure, at Luen Thai Leisure Company Limited's direction, issued 1,068 shares to Tan Holdings. Both Luen Thai Leisure Company Limited and Tan Holdings are, directly and indirectly, controlled by

Chairman Tan and Dr. Henry Tan. The number of consideration shares was determined with reference to the net book value of Century Tours as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, Century Tours became an indirectly wholly-owned subsidiary of our Company (through S.A.I. CNMI Holdings and S.A.I. CNMI Tourism).

3. **Transfer of Gemkell Saipan**

On November 15, 2018, Luen Thai Enterprises Ltd. transferred 75,000 shares, representing 75% of the issued share capital of Gemkell Saipan, to S.A.I. CNMI Tourism, in consideration for which THC Leisure, at Luen Thai Enterprises Ltd.'s direction, issued 160 shares to Tan Holdings. Both Luen Thai Enterprises Ltd. and Tan Holdings are, directly and indirectly, controlled by Chairman Tan and Dr. Henry Tan. The number of consideration shares was determined with reference to the net book value of Gemkell Saipan as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, our Company became a 75% owner of Gemkell Saipan indirectly through S.A.I. CNMI Holdings and S.A.I. CNMI Tourism. Mr. Hawes remained as a 25% minority shareholder of Gemkell Saipan at subsidiary level.

4. **Transfer of APHI Saipan, Let's Go and Saipan Adventures**

On November 15, 2018, Tan Holdings transferred 15,000,000 shares, representing the entire issued share capital of APHI Saipan, to S.A.I. CNMI Tourism, in consideration for which THC Leisure issued 21,536 shares to Tan Holdings. The number of consideration shares was determined with reference to the net book value of APHI Saipan as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, APHI Saipan (together with CKR, LLC) became an indirectly wholly-owned subsidiary of our Company (through S.A.I. CNMI Holdings and S.A.I. CNMI Tourism).

On November 15, 2018, Tan Holdings transferred 500,000 shares, representing the entire issued share capital of Let's Go, to S.A.I. CNMI Tourism, in consideration for which THC Leisure issued 359 shares to Tan Holdings. The number of consideration shares was determined with reference to the net book value of Let's Go as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, Let's Go (together with JK Marine and Sea Touch), became an indirectly wholly-owned subsidiary of our Company (through S.A.I. CNMI Holdings and S.A.I. CNMI Tourism).

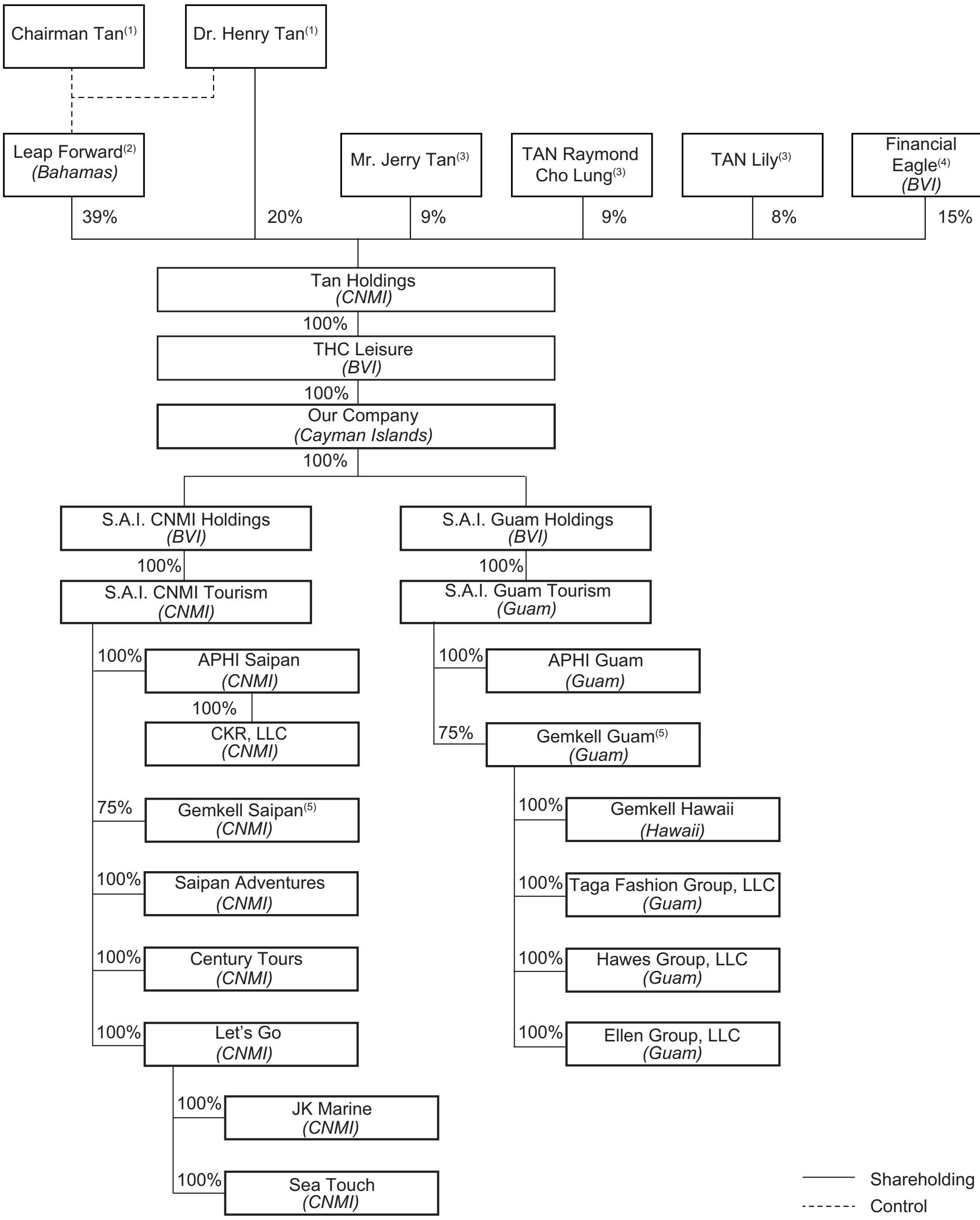
On November 15, 2018, Tan Holdings transferred 100,000 shares, representing the entire issued share capital of Saipan Adventures, to S.A.I. CNMI Tourism, in consideration for which THC Leisure issued 826 shares to Tan Holdings. The number of consideration shares was determined with reference to the net book value of Saipan Adventures as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, Saipan Adventures became an indirectly wholly-owned subsidiary of our Company (through S.A.I. CNMI Holdings and S.A.I. CNMI Tourism).

5. **Transfer of APHI Guam and Gemkell Guam**

On November 16, 2018, L&T (Guam) Corporation transferred 9,499,995 shares, representing the entire issued share capital of APHI Guam (excluding treasury shares), to S.A.I. Guam Tourism, in consideration for which THC Leisure, at L&T (Guam) Corporation's direction, issued 11,159 shares to Tan Holdings, the immediate sole shareholder of L&T (Guam) Corporation (except for 7 director qualifying shares in L&T (Guam) Corporation). The number of consideration shares was determined with reference to the net book value of APHI Guam as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, APHI Guam became an indirectly wholly-owned subsidiary of our Company (through S.A.I. Guam Holdings and S.A.I. Guam Tourism).

On November 16, 2018, L&T (Guam) Corporation transferred 60,000 shares, representing 75% of the issued share capital of Gemkell Guam, to S.A.I. Guam Tourism, in consideration for which THC Leisure, at L&T (Guam) Corporation's direction, issued 4,891 shares to Tan Holdings, the immediate sole shareholder of L&T (Guam) Corporation (except for 7 director qualifying shares in L&T (Guam) Corporation). The number of consideration shares was determined with reference to the net book value of Gemkell Guam as of June 30, 2018, being the last date our audited accounts were made up to at the time. Upon completion, our Company became a 75% owner of Gemkell Guam (together with its subsidiaries) indirectly through S.A.I. Guam Holdings and S.A.I. Guam Tourism. Mr. Hawes remained as a 25% minority shareholder of Gemkell Guam at subsidiary level.

Our Reorganization was legally and properly completed and settled on November 16, 2018 and no regulatory approval was required. The chart below shows the simplified shareholding and corporate structure of our Group immediately after the completion of our Reorganization:-



Notes:

(1) Chairman Tan (Chairman of our Board and a Non-Executive Director) and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) act in concert in respect of the affairs of our Group. See "Relationship with our Controlling Shareholders — Controlling Shareholders Acting in Concert" for details.

(2) Leap Forward is wholly-owned by a discretionary family trust of the Tan Family. Chairman Tan is the settlor. Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward, forming the majority of (a) its board of directors, and (b) the protectors of the said discretionary family trust. The beneficiaries are members of the Tan Family.

(3) Mr. Jerry Tan (a member of our senior management), Mr. TAN Cho Lung Raymond and Miss TAN Lily are each a sibling of Dr. Henry Tan and a child of Chairman Tan.

(4) Financial Eagle is wholly-owned by a discretionary family trust of the Tan Family. Dr. Henry Tan is the settlor and Mr. Victor YANG, an independent third party, acts as the protector. The beneficiaries are members of the Tan Family.

(5) Each of Gemkell Guam and Gemkell Saipan is owned as to 25% by Mr. Hawes, a core connected person of our Company under the Listing Rules only by virtue of his interests, directorship and as a manager at subsidiary level.

POST-REORGANIZATION CORPORATE ACTIONS

Increase of authorized share capital

On April 9, 2019, our sole Shareholder resolved that the authorized share capital of our Company be increased to HK$5,000,000 divided into 500,000,000 Shares of HK$0.01 each.

Capitalization Issue

Conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK$2,699,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 269,999,999 Shares, such Shares to be allotted and issued on the Listing Date, credited as fully-paid at par to our Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on Wednesday, May 15, 2019 in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then shareholding in our Company and the Shares to be allotted and issued pursuant to the Capitalization Issue shall carry the same rights in all respects with the then existing issued Shares.

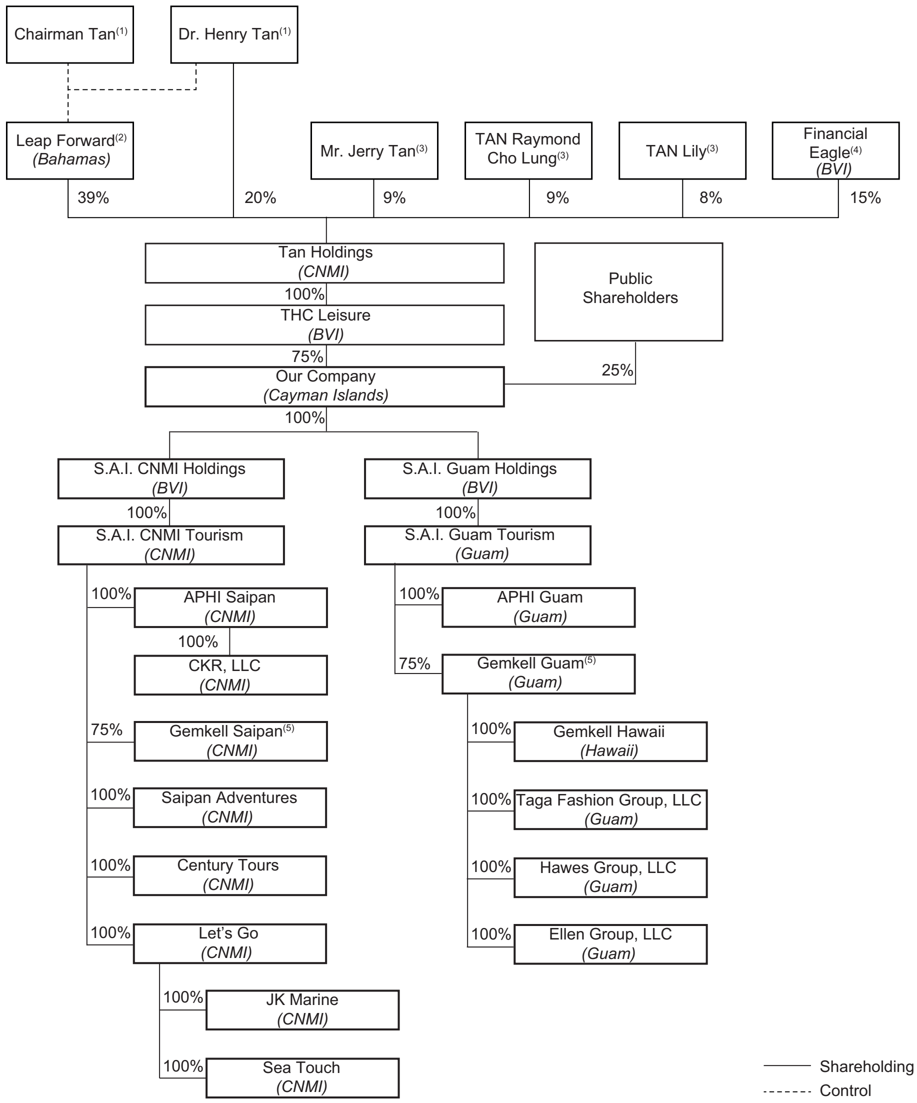
Details of the resolutions of our sole Shareholder dated April 9, 2019 are set out in "Appendix V — Statutory and General Information — A. Further Information about our Group — 5. Written Resolutions of our Sole Shareholder dated April 9, 2019".

No pre-IPO investments

There was no pre-IPO investor into our Group before and after our Reorganization within the meanings of the Listing Rules and the Stock Exchange's guidance materials.

CORPORATE STRUCTURE

The chart below shows our simplified shareholding and corporate structure immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options):



Notes:

(1) Chairman Tan (Chairman of our Board and a Non-Executive Director) and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) act in concert in respect of the affairs of our Group. See "Relationship with our Controlling Shareholders — Controlling Shareholders Acting in Concert" for details.

(2) Leap Forward is wholly-owned by a discretionary family trust of the Tan Family. Chairman Tan is the settlor. Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward forming the majority of (a) its board of directors, and (b) the protectors of the said discretionary family trust. The beneficiaries are members of the Tan Family.

(3) Mr. Jerry Tan (a member of our senior management), Mr. TAN Cho Lung Raymond and Miss TAN Lily are each a sibling of Dr. Henry Tan and a child of Chairman Tan.

(4) Financial Eagle is wholly-owned by a discretionary family trust of the Tan Family. Dr. Henry Tan is the settlor and Mr. Victor YANG, an independent third party, acts as the protector. The beneficiaries are members of the Tan Family.

(5) Each of Gemkell Guam and Gemkell Saipan is owned as to 25% by Mr. Hawes, a core connected person of our Company under the Listing Rules only by virtue of his interests, directorship and as a manager at subsidiary level.

OVERVIEW

We are one of the leading leisure tourism groups in the tropical islands of Saipan and Guam, the U.S. territories located in the Western Pacific Region around 3,500 k.m., or a 5-hour flight, from Hong Kong. With tourism revenue close to US$2.5 billion in 2017, Saipan and Guam have each become a popular beach holiday destination for Asian Pacific travelers and benefit from tourism-driven government policies and gradual relaxation of visa and entry requirements. Between 2013 and 2017, tourist arrivals in Saipan and Guam grew on a CAGR basis at 10.8% and 3.9%, respectively. In Saipan, our principal base of operations, the market size of the leisure tourism industry reached US$581.5 million in 2017, of which we commanded a market share of 9.8% in terms of revenue. In the same year, we held a 33.7% market share in terms of revenue and 24.5% in terms of number of rooms sold in Saipan's hotels and resorts industry, and were the #1 market player by revenue, number of properties and number of rooms sold, according to Frost & Sullivan.

Founded in April 1997 under the distinct leadership of Chairman Tan (Chairman of our Board and a Non-Executive Director) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer), both well-respected, committed entrepreneurs in Hong Kong and the Western Pacific Region, we have since grown from a single hotel property in Saipan to a diversified and full-range leisure tourism business in Saipan, Guam and Hawaii that is segmented into **Hotels & Resorts Sector**, **Luxury Travel Retail Sector** and **Destination Services Sector**. The chart below showcases the footprints of our leisure tourism operations and activities:-

Average room rates * . . . . . . US$140.0	Boutique network ** 18	Unique excursion tours ** 3
Occupancy rate * 90.9%	Luxury fashion brands ** 9	Souvenir and amenities stores ** 3
RevPAR * . . . . .US$127.3	Exclusive brands **/*** . . . . . .5 out of 9	Travel management services

* *For the financial year ended December 31, 2018*

** *As of the Latest Practicable Date*

*** *"Exclusive brands" mean we are the only retail operator which sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii.*

With our corporate name "S.A.I." in mind, we strive to offer leisure travelers memorable and unique holiday experiences encompassing "Sea, Air and Island".

Hotels & Resorts Sector, our top-grossing and flagship sector, self-operates and manages 4 hotels and resorts in Saipan and Guam, each positioned to distinct pricing and recreational needs of our hotel guests. *Fiesta Resort Saipan*, a full-service, family-style resort located in the heart of Garapan, Saipan's tourism center, has been ranked as the #1 resort in Saipan on TripAdvisor, an independent online traveler community. *Kanoa Resort* is a secluded escape away from Saipan's downtown area that is fronted by a long stretch of white sand beach. *Century Hotel* is an affordable accommodation in Saipan targeted towards budget-conscious holiday-makers and business travelers, and *Fiesta Resort Guam,* situated on Guam's Tumon Bay tourism center, carries the same name and service philosophy of its Saipan counterpart. Together, our well-located and diversified hotels and resorts portfolio recorded an occupancy rate of 90.9% for the financial year ended December 31, 2018 and sold around 330,000 room nights on average per year during the Track Record Period. As a full-range hospitality provider, we also provide food and beverage, meetings, banquets and other hospitality services that cater to the needs of both locals and travelers.

Our hotels and resorts are self-operated and managed on leasehold property interests which gives us full control over the entire operating process with no revenue or profit-sharing component. For the financial year ended December 31, 2018, our average room rate (ARR) was US$140.0, which make us a mid-market player. In the same period, we recorded a revenue per available room (RevPAR), an important metric that measures our pricing and occupancy performance, of US$127.3.

Luxury Travel Retail Sector carries 9 world renowned brands of luxurious and leisure clothing, leather goods and fashion accessories, of which 5 are exclusive brands (i.e. we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii). Our network of 5 boutiques in Saipan and 8 in Guam is operated under franchise and distribution agreements with brand owners to source merchandises against specific operational, service and design requirements. Our boutiques each house a single brand and are stand-alone concept stores offering travelers genuine shopping experiences. In April 2018, we also established a presence in Honolulu, Hawaii by taking over 5 boutiques under an American accessories brand. An additional boutique is expected to be launched in Guam in mid to late 2019 under a French luxury fashion brand.

Destination Services Sector is a Saipan-based land operator which offers 3 unique excursion tours that are considered by many as key attractions of the island itself: *SeaTouch* (a stingray interaction experience), *Let's Go* (a 4-wheel drive jungle and mountain adventure) and *Jetovator* (a hydro-powered jetski that propels participants through the air). We also run 3 *iShop* souvenir and amenities stores, offer booking services for third-party operated activities and tours, and work with tour operators to provide destination-based concierge and travel management services to their packaged holiday guests in Saipan.

The table below shows a breakdown of our revenue during the Track Record Period by sectors:-

	For the financial year ended December 31					
Sector	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Hotels & Resorts						
Fiesta Resort Saipan	31,144	38.3	33,239	37.2	32,517	32.5
Kanoa Resort	12,074	14.9	13,876	15.5	13,563	13.5
Century Hotel	1,063	1.3	1,293	1.4	1,106	1.1
Fiesta Resort Guam	18,803	23.1	18,686	20.9	19,411	19.4
Sub-total	***63,084***	***77.6***	***67,094***	***75.0***	***66,597***	***66.5***
Luxury Travel Retail	**13,873**	**17.1**	**17,488**	**19.6**	**28,979**	**28.9**
Destination Services	**4,281**	**5.3**	**4,848**	**5.4**	**4,602**	**4.6**
Total	**81,238**	**100.0**	**89,430**	**100.0**	**100,178**	**100.0**

Deeply rooted in and committed to the local leisure tourism market, we generated on average 61.1% and 36.8% of our revenue in Saipan and Guam, respectively, during the Track Record Period. In Saipan, our leisure tourism offering across 3 business sectors encompasses the end-to-end holiday experiences of leisure travelers, and we are able to extract synergies from our combined operations. For example, our Destination Services Sector has a team of tour guides who, through their frequent traveler interaction, actively cross-sell and optimize the participation level of our various travel products and services across sectors.

We have a broad range of customers principally from China, South Korea and Japan, all of which have witnessed a steady growth in tourism spending in past few years, providing us with resilience and the ability to optimize revenue against different operating conditions and circumstances. Our Hotels & Resorts Sector sells and markets accommodation (1) in bulk through online and offline tour operators, and (2) as individual reservations through traditional and online travel agents, our own websites and direct hotel bookings. With the growing tendency for global travelers to reserve their accommodation online, our booking channel mix has been tilting towards online travel agencies (OTA), which recorded a sector revenue contribution of 13.7% and 18.3% for the financial year ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% over the Track Record Period. We also maintain a stable volume of bookings from tour operators, which accounted for 41.0% of our sector revenue on average during the Track Record Period.

We recorded strong operating and financial performance during the Track Record Period. For the 3 financial years ended December 31, 2018, our revenue amounted to US$81.2 million, US$89.4 million and US$100.2 million, respectively, representing a growth on a CAGR basis of 11.0%.

Going forward, we intend to maintain and further our market leadership particularly in the hotels and resorts industry in Saipan, which is characterized with regional players (such as ourselves) having a strong position against significant under-representation of international chained operators. Between 2018 and 2022, the hotels and resorts industry of Saipan is expected to grow on a CAGR basis at 10.2% in terms of revenue, which could be attributed to a projected 5.1% CAGR growth in tourist arrivals, increase in the number of available airline seats at an estimated CAGR of 5.6%, rising income level of our main tourist origins such as China, South Korea and Japan, additional flight connections, limited accommodation capacity as well as global tourist spending pattern which is set to drive up the market average room rate in Saipan. We believe that we are well-positioned to benefit from favorable market drivers with our proven operating and financial track record and the established footprints of our tourism assets and services. Our future growth pipelines are target-driven to (1) ***increase our average room rates and achieve stronger yield***, which will be forefronted by a US$56.7 million asset rejuvenation plan to align the appeal of our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* with the global traveler preferences for premium holiday experiences, (2) ***enhance our digital sales and marketing capability*** with a new reservation system that facilitates real time inventory and room rate adjustment, as well as digital marketing campaigns that actively engage the higher-spending online traveler communities, and (3) ***expand our long-term accommodation capacity*** with new hotels and resorts development. In Guam, our asset rejuvenation plan is also expected to strengthen our competitive edge against a number of international branded market peers, which constantly gives us pricing pressure. Our future growth will be further driven by the expansion of the boutique network, brand portfolio and merchandise collection of our Luxury Travel Retail Sector, continuous innovation in our Destination Services Sector as well as our enhanced market visibility and corporate image as a listed issuer on the Stock Exchange. See "— Strategies on Future Business Development" below for our growth strategies after the Global Offering and Listing.

Land lease renewal

The current land leases underlying our *Fiesta Resort Saipan* and *Kanoa Resort* will expire on June 30, 2021 and 2024, respectively. On December 31, 2018, Acting CNMI Governor Victor B. Hocog signed into law Public Law 20-84 ("**PL 20-84**") which provides for an obligation and an authority for the CNMI government to negotiate for the extension of certain public land leases (including our *Fiesta Resort Saipan* and *Kanoa Resort* land leases) for a maximum term of 55 years without publishing a request for proposals and going through a public tender process. Pursuant to PL 20-84, we have commenced official communications with the CNMI government on the renewal of both our *Fiesta Resort Saipan* and *Kanoa Resort* land leases. Our Directors are cautiously optimistic that we will be able to secure without materially onerous terms the renewal of our *Fiesta Resort Saipan* land lease shortly after the Listing and our *Kanoa Resort* land lease before the commencement of its asset rejuvenation plan in 2021. For details of our land lease renewal, see "— A. Hotels & Resorts Sector — Operating Model" below.

The future growth of our *Fiesta Resort Saipan* and *Kanoa Resort* is contingent upon our asset rejuvenation plan, which we will not commence until after the successful renewal of the underlying land leases. If we are unable to secure the renewal of our land leases, or that the renewal conditions are not commercially viable to us, we run the risks of losing a key source of revenue. If we are unable to secure lease renewal prior to the expected commencement dates of our asset rejuvenation plan on *Fiesta Resort Saipan* and *Kanoa Resort*, we might have to delay our asset rejuvenation plan, in which case the room for our short-term financial growth may be limited during periods of delay and we may not be able to actualize the potential operating and financial benefits in the manner and timeline we currently contemplate. Potential investors should carefully read "Risk Factors — We may not be able to renew the land leases on which we operate our hotels and resorts, in which case we will lose a significant portion of our revenue source".

COMPETITIVE STRENGTHS

We believe that the following competitive strengths provide the foundation of our position as one of the leading leisure tourism groups in Saipan and Guam.

LEADING TOURISM OPERATIONS WITH EXTENSIVE FOOTPRINTS IN THE GROWING SAIPAN AND GUAM MARKETS GIVING US STRONG FINANCIAL AND OPERATING RESULTS

Our Hotels & Resorts Sector is the #1 market player by revenue, number of properties and number of rooms sold in Saipan, commanding 33.7% of hotels and resorts industry revenue and 24.5% of total rooms sold on the island in 2017, according to Frost & Sullivan. We built our leading market position with decades of continuous investments and improvements to align with travelers' preferences and local market demand, giving us numerous industry accolades as detailed in "— Awards and Accolades" below. Our *Fiesta Resort Saipan*, rated as the #1 resort on TripAdvisor, and *Kanoa Resort*, also a top-5 resort on TripAdvisor, have been particularly well-received by leisure travelers and attained above-market average occupancy rate in Saipan of 94.9% and 92.2%, respectively, during the Track Record Period.

A testament of the strength of our hotel and resort offering is our measurement against the key performance indicators of the industry, which had been on an upward trend throughout the Track Record Period. For the financial year ended December 31, 2018, our occupancy rate reached 90.9%, generating a revenue per available room (RevPAR) of US$127.3 at an average room rate (ARR) of US$140.0. For the same financial year, our *Fiesta Resort Saipan* generated a RevPAR premium compared to our main peers, with an average revenue generation index (RGI) of 1.20 (which indicates a RevPAR above our main peers' average).

Our Luxury Travel Retail and Destination Services Sectors each has a strong industry position in their respective market segments. Our boutique network of 18, one of the largest in Guam and Saipan, carries 9 world renowned brands of luxurious and leisure clothing, leather goods and fashion accessories that appeal to the spending habits of Chinese, South Korean and Japan travelers. During the Track Record Period and up to the Latest Practicable Date, we launched 6, 4 and 5 boutiques, respectively, in Saipan, Guam and Hawaii. Our Destination Services Sector rounds up our leisure tourism offering with strategic presence in Saipan's local activities market, offering 3 unique excursion tours that are considered by many as key attractions of the island itself.

Our diverse and quality tourism operations and activities have made us a preferred choice of leisure travelers for one-stop services and position us well against the growing leisure tourism market in Saipan and Guam, which has benefited from strong macro-economic fundamentals in the Asian Pacific Region (our largest tourist origin) and the rest of the world. Since 2013, the leisure tourism market, particularly demand for holiday accommodation, in Saipan and Guam has developed positively driven by the improved macro-economic fundamentals in tourist origins, consumer confidence and growth in air traffic, resulting in an underlying improvement of market RevPAR. The increase in demand for hotel and resort rooms in Saipan and Guam also outpaced the increase in supply in 2017. As the local governments continue to invest in infrastructure improvements and tourism growth, tourist arrivals in Saipan and Guam grew on a CAGR basis at 10.8% and 3.9% between 2013 and 2017, respectively, making them popular beach holiday destinations especially among Asian Pacific travelers.

Our extensive presence in Saipan and Guam has allowed us to ride on the favorable industry backdrops and achieve a strong financial track record. For the 3 financial years ended December 31, 2018, we commanded a revenue of US$81.2 million, US$89.4 million and US$100.2 million, respectively, and our operating profit amounted to US$14.3 million, US$15.7 million and US$12.4 million during the same periods. We intend to build on our leading market position and proven record of operational and financial excellence and expand our tourism business with the future growth pipeline set out in "— Strategies on Future Business Development" below.

UNIQUE, FULL-RANGE AND ONE-STOP OFFERING OF TOURISM PRODUCTS AND SERVICES CATERING TO THE END-TO-END HOLIDAY EXPERIENCE OF ALL WALKS OF TRAVELERS

Our full-range tourism offering caters to the distinct pricing and recreational needs of all walks of leisure travelers. In Saipan, our principal base of operations, the combined operations of our Hotels & Resorts, Luxury Travel Retail and Destination Services Sectors encompass our customers' end-to-end holiday experiences on the island.

Our Hotels & Resorts Sector operates a diversified and complementary portfolio which together covers a broad range of market sub-segments and offers various accommodation and service options to meet the evolving needs of leisure travelers. *Fiesta Resort Saipan,* located in the heart of tourism center and steps away from dining, shopping and entertainment options, and *Kanoa Resort*, distinguished by its secluded location away from the hustles of downtown area, are both full-service, family-style resorts positioned to the mid-market segment in Saipan. *Century Hotel* is our budget to mid-market offering in Saipan targeted towards price-conscious holiday-makers and business travelers. *Fiesta Resort Guam,* situated on Guam's Tumon Bay tourism center, carries the same name and service philosophy of its Saipan counterpart. Each of our hotels and resorts has a well-balanced room type offering in various pricing bands that appeals to all walks of traveler demographics and contributes to our leading market share.

As a full range hospitality provider, we also provide food and beverage, meetings, banquets and other hospitality services which constitute an important part of our full-service offering. Our "Joyful Dinner Show", held nightly at *Fiesta Resort Saipan*, is considered by many as Saipan's best and well-attended by locals and travelers. These services allow us to differentiate our offering and are some of the most important factors when customers are selecting a venue for accommodation, meetings and events. They also attract locals and travelers that are not currently staying at our hotels and resorts. During the Track Record Period, our food and beverage, meetings, banquets and other hospitality services on average accounted for 30.0% of the sector revenue of our Hotels & Resorts Sector and 21.8% of our total revenue.

Unlike the clustered, open-plan setup of store-in-store operations commonly used by our market peers, our Luxury Travel Retail Sector adopts a "concept store" model carrying 1 brand per store, offering travelers genuine shopping experiences. Of our brand collection of 9, we have 5 exclusive brands (i.e. we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii). For the financial year ended December 31, 2018, our Luxury Travel Retail Sector recorded an exclusivity mix of 54.3% (% of sector revenue generated from brands offered only by us in Saipan, Guam or Hawaii).

Our Destination Services Sector has benefited from years of innovations and remains to be the first and only operator of the *SeaTouch*, *Let's Go Tour* and *Jetovator* excursion tours in Saipan. These unique, one-of-a-kind experiences make frequent appearances on local and international media coverage, and are constantly of high demand.

Our unique, full-range and one-stop offering of tourism products and services allow our 3 business sectors to engage a wide range of traveler segments. Comparing our revenue in Saipan against the total revenue of Saipan's leisure tourism market on the island, we had a market share of 9.8% in 2017.

COMPLEMENTARY BUSINESS SECTORS CREATING SYNERGIES FROM COMBINED OPERATIONS

We are able to extract synergies from our full-range tourism offering across 3 business sectors. Our Destination Services Sector plays an important role in optimizing the participation level and revenue of our travel products and services across 3 business sectors. Our tour guides, through their frequent traveler interaction in operating our excursion tours and providing destination-based concierge and travel management services to packaged holiday guests in Saipan, actively cross-sell our other product service components based on market environment and our operating conditions. For example, at times of adverse weather conditions, our tour guides often divert our outdoor adventure customers to our travel retail boutiques, "Joyful Dinner Show" and other food and beverage options. To incentivize synergies, we offer a commission of around 4.5% to 10% (based on customer spending) to our tour guides, which we believe to be commensurate with industry norms.

We also leverage our Hotels & Resorts Sector, which captures the most number of leisure travelers out of our 3 business sectors, to optimize the performance of our other business sectors with the following synergetic measures:-

— ***Cross-selling***. Our Destination Services Sector provides a complimentary briefing session to arriving hotel guests timed against flights arriving into Saipan, where our tour guides often cross-sell our travel retail boutiques, food and beverage offering and excursion tours. We also offer a complimentary half-day island tour to selected packaged holiday guests, which presents further cross-selling opportunities for our other travel products and services.

— ***Co-location.*** We have strategically located our *SeaTouch* and *Jetovator* excursion tours, 3 destination services concierge desks and 2 *iShop* souvenir and amenities stores within our hotel and resort premises. In addition, 7 travel retail boutiques and the remaining *iShop* store are within walking distance from our hotels and resorts.

— ***Discounts.*** Our Luxury Travel Retail Sector and Destination Services Sector from time to time offer discounts to our hotel guests.

— ***Advertising.*** Our various travel products and services offering is advertised through billboards, lightboxes, television programs and magazines in our hotels and resorts.

The scalability and breadth of our tourism business also translates into cost efficiency through centralized and shared administrative and support functions. The financial, investment and treasury functions across our 3 business sectors are handled by our headquarters in Hong Kong. Our human resources and administrative matters in Saipan, Guam and Hawaii are centralized under the human resources director of our Hotels & Resorts Sector. Together, we manage costs effectively and operate as a lean, efficient operation at all levels across our 3 business sectors.

ACTIVE MANAGEMENT OF MULTI-FACETED BOOKING CHANNELS TRANSLATING INTO DYNAMIC PRICING AND OPTIMIZED OPERATING PERFORMANCE

We believe that a key strength of our leisure tourism business is the multi-faceted booking channels of our Hotels & Resorts Sector, as detailed in "— A. Hotels & Resorts Sector — Sales" below. We sell and market accommodation (1) in bulk through online and offline tour operators, and (2) as individual reservations through TTAs, OTAs, our own websites and direct hotel bookings. The variety of our booking channels means broad customer coverage ranging from the more traditional travelers looking for the convenience and potential cost-saving benefits of bundled packaged holidays, to the younger generation who enjoys the flexibility of customizing individual travel components through online booking channels.

We actively manage our booking process through frequent communications with third-party booking channels and active adjustment to our pricing and room allocation across different channels, which helps us strike a balance between volume and yield. Traditionally, we offer static pricing to larger tour operators, who have the right to reserve in bulk our rooms often as bundled holiday packages, to generate a stable volume. The other booking channels, which are generally higher-yielding, are priced dynamically where pricing varies over time with the demand and supply to set an appropriate market price. Our proactive sales and marketing strategy has allowed us to timely respond to changes in market environment. For example, our booking channel mix has been tilting towards OTAs, which recorded a sector revenue contribution of 13.7% and 18.3% for the financial year ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% in terms of sector revenue contribution over the Track Record Period, in wake of the growing tendency for global travelers to book their accommodation online. During peak seasons, we also optimize our room utilization by offering half-day occupancy to travelers from selected markets which are connected to Saipan with late-night and early morning flights.

With active booking management, we have been able to capture a broad range of customers which provide us with resilience against different operating conditions and circumstances and measure us well against various operating performance matrix. During the Track Record Period, our ARR has been consistently on an upward trend and we recorded an above-market occupancy rate of 91.4% on average during the Track Record Period. This gives us a growing RevPAR, an important matrix that combines room rate and occupancy, which grew from US$118.3 to US$127.3 between financial year ended December 31, 2016 and 2018. The sales capability of our Hotels & Resorts Sector also benefits our Luxury Travel Retail and Destination Services Sectors as we extract synergies from our high volume of hotel guest traffic.

HIGH DEGREE OF FLEXIBILITY AND CONTROL THROUGH AN ATTRACTIVE OPERATING MODEL OF SELF-OPERATION AND MANAGEMENT

Our hotels and resorts are self-operated and managed on our leasehold property interests. For our Hotels & Resorts Sector, our land leases are long-term with a duration ranging from 30 to 60 years, which aligns our interests with our landlords' and the overall leisure tourism market in Saipan and Guam. We believe that this model gives us significant operating flexibility and full control over our operating process throughout the entire value chain, securing our competitive capabilities. Our extensive control is also fundamental in developing timely product concepts (such as shops, restaurants, leisure and sport facilities, conference and other areas) that ensure consistency, guest satisfaction and low implementation and maintenance costs. Our operating leverage and high degree of flexibility provides significant upside from an improving market whilst giving us flexibility and resilience in potential downside scenarios.

Unlike competing operating business models such as management agreements and management letting rights, our operating model gives us full control over the entire operating process with no revenue or profit-sharing component against a stable and predictable cost structure. For the 3 financial years ended December 31, 2018, the average rental expenses of our Hotels & Resorts Sector were maintained at around US$1.3 million per year.

Our Luxury Travel Retail Sector operates under franchise and distribution agreements with the brand owners to source merchandises against specific operational, service and design requirements. Most of our franchise and distribution agreements have no franchisee fee or other revenue or profit-sharing component, giving us the entire merchandise sales receipts. Our Destination Services Sector operates our 3 unique excursion tours on self-owned facilities and equipment and market them through self-managed marketing booking channels such as physical concierge co-located within our hotels and resorts as well as social media platforms. For example, our *SeaTouch* stingray interaction experience operates on a floating dock directly adjacent to our *Fiesta Resort Saipan*, and our *Let's Go Tour* and *Jetovator* excursion tours use our self-owned 4-wheel drive vehicles and hydro-powered jetski. Our operating model enables us to avoid unnecessary rental costs and booking agency fees.

VISIONARY AND HIGHLY EXPERIENCED MANAGEMENT TEAM WITH IN-DEPTH LOCAL KNOWLEDGE AND PROVEN EXECUTION CAPABILITIES

We have a stable and cohesive management team with a strong track record within the leisure tourism market in Saipan and Guam. Chairman Tan (Chairman of our Board and a Non-Executive Director) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) are well-respected entrepreneurs in Hong Kong, China and the Western Pacific Region each with extensive industry experiences of over 30 years. Their business and community devotion, in-depth local knowledge and industry connections, which often translate into commercial leverage and strategic insights across our operations amidst the dynamic leisure tourism market, are evidenced in their decoration with Bauhinia Stars by the Hong Kong government as well as honorary doctorate degrees from the University of Guam. They are joined by our other Executive Directors, Mr. Chiu (the 2013 Executive of the Year in Guam and a proven executive with strong local and industry knowledge relevant to our business), Mrs. Su Tan (a hotel and restaurant administration graduate with over 8 years of experiences in sales and marketing who gives us directional insights particularly on business development, reputation management and operational efficiency) and Mr. SCHWEIZER Jeffrey William (a hotel management expert with 29 years of industry experience, extensive market connections and strong local knowledge having acted as the Chairman of the Guam Hotel and Restaurant Association). Together, our Board is committed to continue developing our long-term growth, creating values for our Shareholders and potential investors.

We also have a long-serving senior management in charge our day-to-day operations. In particular, Mr. Jerry Tan, our President, Guam & Saipan, is the 2003 Business Person of the Year in Saipan, the 2009 Executive of the Year in Guam and actively involved in various industry and community roles.

Our management has an impressive track record in achieving significant business milestones set out in "History and Development". They together successfully led us through various economic cycles and overseen and executive a range of core strategic initiatives (such as the acquisition, rebranding and asset improvement of our hotels and resorts). The continuous effective leadership of our management will be key to our future business development.

See "Directors and Senior Management" for our management's qualifications and experiences.

STRATEGIES ON FUTURE BUSINESS DEVELOPMENT

We aim to maintain our market-leading position in Saipan and Guam. We intend to achieve market share gains and above-market growth in delivering unique and memorable holiday experiences to leisure travelers by pursuing the following business strategies.

MAINTAIN AND FURTHER THE MARKET LEADERSHIP OF OUR HOTELS & RESORTS SECTOR

We are committed to grow with the local leisure tourism market in Saipan and Guam and further the market leadership position of our Hotels & Resorts Sector. Between 2018 and 2022, tourist arrivals in Saipan and Guam are projected to grow on a CAGR basis at 5.1% and 2.2%, respectively. These 2 markets are set to benefit from a number of common market drivers, such as favorable tourism-driving government policies, increasing flight connections, rising tourism expenditure in key origin markets such as China, South Korea and Japan, wide catchment area capturing over 1.5 billion population within a 5-hour flight radius, and growing prevalence of online booking engines which accelerate the development of Saipan and Guam as popular beach holiday destinations.

We believe that we are well-positioned to benefit from favorable market drivers with our proven operating and financial track record and the established footprints of our tourism operations and activities. The future growth strategies of our Hotels & Resorts Sector are target driven to (1) increase our average room rates and achieve stronger yield growth, (2) enhance our sales and marketing capability, and (3) expand our long-term accommodation capacity.

Increase our average room rates and achieve stronger yield growth with a US$56.7 million asset rejuvenation plan

We intend to unlock the pricing potentials of our hotels and resorts and further align their appeal with the global traveler preferences for premium holiday experiences with a US$56.7 million asset rejuvenation plan, which was jointly devised by our Executive Directors, senior management and an international architectural and hospitality consultancy firm. Our asset rejuvenation plan is intended to overhaul the accommodation and other service offering at our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam*, and is tailored to each property's distinct operating conditions. According to our Industry Consultant, asset quality, including but not limited to room age, contemporary decoration, extent of hospitality offering, maintenance standard and service level, is the by far the primary factor when leisure travelers select their holiday accommodation, particularly more so in small tropical getaways such as Saipan and Guam where tourism facilities and attractions are fairly clustered within walking distance and locations and other ancillary factors play a less important role. We expect to complete the asset rejuvenation plan on each hotel and resort within around 9 to 18 months.

Our asset rejuvenation plan is particularly important to our future development: (1) We operated our Hotels & Resorts Sector close to full capacity at an occupancy rate of 90.9% for the financial year ended December 31, 2018, which leaves us with little room to grow and limited operating flexibility to carry out the necessary contingent repair and maintenance works, provide “soft” service elements such as early check-in, late check-out and complimentary upgrades and accept last-minute bookings. (2) As of the Latest Practicable Date, 75.3% of our rooms were of 5 years of age or above and 68.0% of our rooms were 10 years old or above. The historical room renovation works conducted by us were of limited scale and were intended not to improve, but maintain our mid-market position within Saipan’s and Guam’s hotels and resorts industry. These renovation works have had limited effects in overhauling our overall guest experience. Based on our guest feedbacks, including those available in public online traveler communities such as TripAdvisor, a sizeable number of our negative comments relate to the “dated” conditions of our room and hospitality offering. Our asset quality has therefore impaired our room rate commanding power. With the exception of our *Fiesta Resort Saipan*, we recorded a RGI below 1 during the Track Record Period, which means that our RevPAR was lower than the average of our main peers. To achieve financial growth, we must be able to command higher room rates. Our asset rejuvenation plan is also an important bargaining point for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases given that a commitment to “new improvements and upgrades” is one of the renewal conditions prescribed in PL 20-84.

We expect to finance our asset rejuvenation plan with proceeds from the Global Offering in the manner described in “Future Plans and Use of Proceeds”, our internal resources and external financing.

Fiesta Resort Saipan and Kanoa Resort

The hotels and resorts industry in Saipan is unique in that regional players (such as ourselves) have a strong position against significant under-representation of international chained operators. Between 2018 and 2022, tourist arrivals in Saipan are expected to grow on a CAGR basis at 5.1%, which is projected to outpace the development of additional accommodation capacity on the island. Coupled with rising tourism expenditure level in key tourist origins such as China, South Korea and Japan, increasing flight connections as well as global tourist spending pattern, the hotels and resorts industry in Saipan is set to experience an over-demand and a growth in market room rates, leading to an eventual growth in hotels and resorts revenue on a CAGR basis of 10.2% between 2018 and 2022.

We intend to prepare ourselves for these future market trends by refreshing the appeal of our *Fiesta Resort Saipan* and *Kanoa Resort* towards higher-spending tourists under our asset rejuvenation plan. The renovation works, which will be implemented by stages to minimize operational disruptions, are expected to encompass (1) room refurbishment, such as room extension and layout optimization, upgrade of bedding and bathroom fixtures, and installation of modern entertainment facilities, (2) landscaping upgrade, such as lounge terraces, lagoon pools, rooftop bars, additional food and beverage options and other hospitality enhancement, and (3) revamped back-of-house functions such as restructuring the layout, routing and labor management of kitchens, service hallways, laundry, housekeeping and refuse areas to improve our operational flexibility, work-flow and staff efficiency and cater to our upgraded service standards and guest expectations as up-market hotels and resorts. See “Business — A. Hotels & Resorts Sector — Hotels and Resorts Development — Asset Rejuvenation Plan” below for further details.

Fiesta Resort Saipan is set to receive upgrades from early 2020 with an estimated capital expenditure and expense of around US$22.3 million. *Kanoa Resort* is expected to undergo renovation works early 2021 with an estimated capital expenditure and expense of around US$14.0 million.

Our *Fiesta Resort Saipan* and *Kanoa Resort* are priced, and currently operate, as mid-market accommodation, a segment which is more competitive with around 10 peers having an ARR of US$80 per room night or above in 2017. We expect that our asset rejuvenation plan will strengthen their room rate commanding power and lift these properties towards the more attractive up-market segment with only 2 peers having an ARR of US$170 per room night or above in 2017. Subject always to market conditions, we currently estimate that our rejuvenated hotels and resorts will be able to command an ARR of around US$180, placing our *Fiesta Resort Saipan* and *Fiesta Resort Guam* within the average price range of the up-market segment in Saipan and Guam of US$170 per room night or above. Based on the detailed work plans of our asset rejuvenation plan and according to the extensive market knowledge and industry experiences of our Executive Directors, senior management and international architectural and hospitality consultant, our upgraded accommodation and service offering is commensurate with, if not superior to, the current up-market peers in Saipan and Guam. In coming up with the asset rejuvenation plan, our international architectural and hospitality consultant has also conducted guest reviews, site visits on other market peers and customer focus groups. We believe that there will be sufficient demand and we will compete effectively in the up-market segment because, according to our Industry Consultant and the market knowledge of our Directors, (1) global travelers are increasingly drawing towards premium holiday experiences, (2) in line with the rising tourism expenditure in key tourist origins such as China, South Korea and Japan, tourist expenditure on hotels and resorts are expected to grow in Saipan, (3) there are limited supply of up-market accommodation in Saipan with only 2 peers in 2017, (4) the operating performance of up-market accommodation currently in Saipan has been satisfactory, (5) the overall under-supply of holiday accommodation in Saipan is expected to drive up the overall market ARR, and (6) our established market position and extensive footprints of one-stop, unique tourism activities and operations in Saipan will give us a competitive edge and guest drawing power. We believe that our rejuvenated *Fiesta Resort Saipan* and *Kanoa Resort* will attract higher-spending tourists and an early market entry advantage to the up-market segment in Saipan. We will not commence the asset rejuvenation plan our *Fiesta Resort Saipan* and *Kanoa Resort* until we have secured their land leases renewal.

Fiesta Resort Guam

Our *Fiesta Resort Guam* is expected to receive room and landscaping refurbishment from late 2019. The asset rejuvenation plan for our *Fiesta Resort Guam* is more essential because the hotels and resorts industry in Guam is distinct from its Saipan counterpart with the presence of a number of international branded market peers, which constantly give us pricing pressure and intensify competition. Our *Fiesta Resort Guam* operated at an average occupancy rate of 86.2% during the Track Record Period, which was below our Hotels & Resorts Sector average, and recorded an RGI of 0.96 for the financial year ended December 31, 2018, which indicates a sub-par RevPAR compared to our main peers in Guam. The estimated capital expenditure and expense of our asset rejuvenation plan on *Fiesta Resort Guam* is around US$20.4 million.

As we upgrade our accommodation and service offering in Saipan and Guam, we may explore collaboration opportunities with international hospitality chains, which may take place in various manners such as access to their membership program and their loyalty customer base, obtaining marketing and operational support, use of their booking engines and reservation systems or a rebranding exercise under a franchise model. Any such collaboration will only be implemented if our Directors are satisfied that their operating and pricing benefits will outweigh their associated costs. As of the Latest Practicable Date, we did not have any definitive collaboration plan.

Enhance our digital sales and marketing capability to engage a broader customer base and optimize our operating performance

We believe that a key strengths of ours is the proactive management of booking process, room allocation and pricing optimization across our multi-faceted booking channels. We intend to continue with yield improvement by implementing the following enhanced sales and marketing initiatives, which are targeted towards the often higher-spending online tourist communities:-

— ***New reservation system.*** From March 2018, we have been gradually implementing a new reservation system across our hotels and resorts which gives us real-time access to our room inventory, pricing status across different booking channels, as well as useful statistics of our main peers. Our new reservation system, which will be further supported by new data servers, will connect our hotels and resorts with third-party booking channels such as OTAs and search engines and give us the ability to feed real-time adjustment to our room rates and capture volume over time. Our management (especially our Executive Directors who are based in Hong Kong) will also gain online, real-time access to our key performance metrics such as ARRs, occupancy rate and RevPAR.

– ***Enhanced direct online booking experience.*** We will launch a new online direct booking interface which facilitates instant booking confirmations and real time room rate optimization against other third-party booking channels. Aside from leisure traveler traffic, we also plan to integrate some of our corporate and government accounts into our online interface. An increased focus on direct online bookings has the advantage of lower sales and marketing costs compared to other alternatives, and from a guest relationship perspective we "own" the relationship and are able to provide instant and proactive assistance to address their travel needs.

— ***Online penetration.*** With the growing tendency for global travelers to book their accommodation online, we will continue to strengthen our online presence, visibility and market penetration by working strategically with search engines, OTAs, social media platforms and local tourism boards on marketing activities such as search engine optimization (which places our hotels and resorts in a strategic position on the OTAs' and search engines' search lists under a prescribed algorithm for a marketing fee), advertising and promotional campaigns. From time to time, we may also considering sponsoring celebrities to stay at our hotels and resorts and share their travel experiences in Saipan and Guam. We expect that our online penetration strategies will focus on the younger Chinese and South Korean travelers, who are more accustomed to online marketing and booking channels.

Our enhanced digital sales and marketing initiatives are expected to be funded with proceeds from the Global Offering and our internal resources. See "Future Plans and Use of Proceeds" for further details. Riding on our strengthened market visibility as a listed issuer on the Stock Exchange, these initiatives are expected to coincide with our asset rejuvenation plan by enhancing the visibility of our upgraded accommodation and service offering to the leisure traveler communities, as well as our long-term capacity growth by securing a stable occupancy level.

Pursue long-term capacity growth with new hotel and resort development

To achieve a long-term, sustainable growth in our Hotels & Resorts Sector, we intend to develop or acquire new hotels and resorts in Saipan and/or Guam upon completion of our asset rejuvenation plan. Additions to our current portfolio of 4 hotels and resorts will give us room to grow financially and operationally in the long run and fully capture the projected growth and future development of Saipan and Guam as popular beach holiday destinations.

We have identified a land parcel within our *Fiesta Resort Saipan*, currently used as tennis courts, which can be suitable for the development of an annex tower of around 140 rooms grossing a GFA of around 6,300 sq.m. for additional accommodation capacity and hospitality facilities. We may also look for opportunities to lease suitable land parcels within Saipan's tourism center of Garapan to develop a standalone boutique hotel, which has the advantage of lower rental costs compared to a beachfront location and may share the hospitality facilities of our *Fiesta Resort Saipan*. As of the Latest Practicable Date, we had not carried out any concrete feasibility study on possible new hotel and resort development. Any such development will only take place if our Directors are satisfied that, among others, the continuous development of the leisure tourism market in Saipan and/or Guam justifies the additional capacity.

If we choose to acquire a hotel or resort, we will take into account various criteria, such as acquisition price and related ask price and due diligence costs, financial results and performance of the target property (including amount of cash, occupancy rate, ARR, RevPAR, intangible asset and other fixed asset, debts and liabilities), location and distance to tourism center, grading, guest feedback and service level of the target property, synergic and complementary effects on our existing hotels and resorts, guest base of the target property (including any key sales contracts and number of long-term OTAs and tour operators), as well as the overall market conditions in Saipan and/or Guam. Throughout our operating history, we have grown by a combination of acquisitions and organic growth. We thus have experiences in managing and integrating acquisitions into our operations. We currently consider that a suitable target would have an occupancy rate of over 80% and an ARR of over US$150 per room night. As of the Latest Practicable Date, we had not identified any suitable target.

Any new hotel and resort development or acquisition plan will be funded by our internal resources and external financing. We intend to consider these opportunities only after the completion of our asset rejuvenation plan in 2022.

EXPAND OUR LUXURY TRAVEL RETAIL OFFERING WITH NEW BOUTIQUES AND EXPANDED BRAND COLLECTION

Our Luxury Travel Retail Sector has been operating on steadily high revenue. With the presence of favorable industry backdrops in Saipan, Guam and Hawaii and driven by growing per traveler expenditure in these destinations, we plan to expand our luxury travel retail offering. The margin of our Travel Retail Sector is unique in that merchandises are procured at specified wholesale prices and sold at recommended retail prices or pricing guidelines provided by the brand owners. To grow our luxury travel retail business, we must expand our brand offering, merchandise collection and boutique network.

We launched 1 new boutique in Saipan in April 2019 and plan to add 1 new boutique in Guam in mid to late 2019 with a combination of the proceeds from the Global Offering and our internal resources. Our new boutiques are expected to share the geographical advantage of our existing ones and located in tourism center with higher traveler traffic and cluster effects with other retail and entertainment establishments. We expect that the opening of a new boutique in Saipan or Guam will require capital expenditure of US$850,000 and a monthly operating expense of around US$50,000 to US$70,000 which include rental expenses, personnel costs, inventory costs and other miscellaneous outgoings such as marketing expenses. Based on our experiences during the Track Record Period, we expect to achieve breakeven within around 2 months, and investment payback within around 24 months. As of the Latest Practicable Date, our Directors were aware of multiple retail space readily available at Tumon Sands Plaza and The Plaza, both being shopping malls where our existing boutiques are located, for our new boutique in Guam. Negotiation for the leased premise for our new boutique in Guam has commenced, and we will take into account the operating performance and customer preferences for our new boutique in Saipan under the same brand.

Our planned travel retail boutique in Guam will also be under a new French luxury fashion brand (which we have commenced business relationship with in December 2018). We will continue to maintain our relationship with existing brands and explore opportunities to sign up new brands. When we begin business relationship with a new brand owner, we consider the distribution terms they offer (such as royalty and franchise fees, minimum purchase amount, design, operational and service requirements and restrictive covenants), brand appeal to travelers from our key markets such as China, South Korea and Japan, as well as its market position against and potential competition with our existing brand offering. From time to time, we may consider launching temporary pop-up stores under our existing or new brands to capture demand during peak seasons.

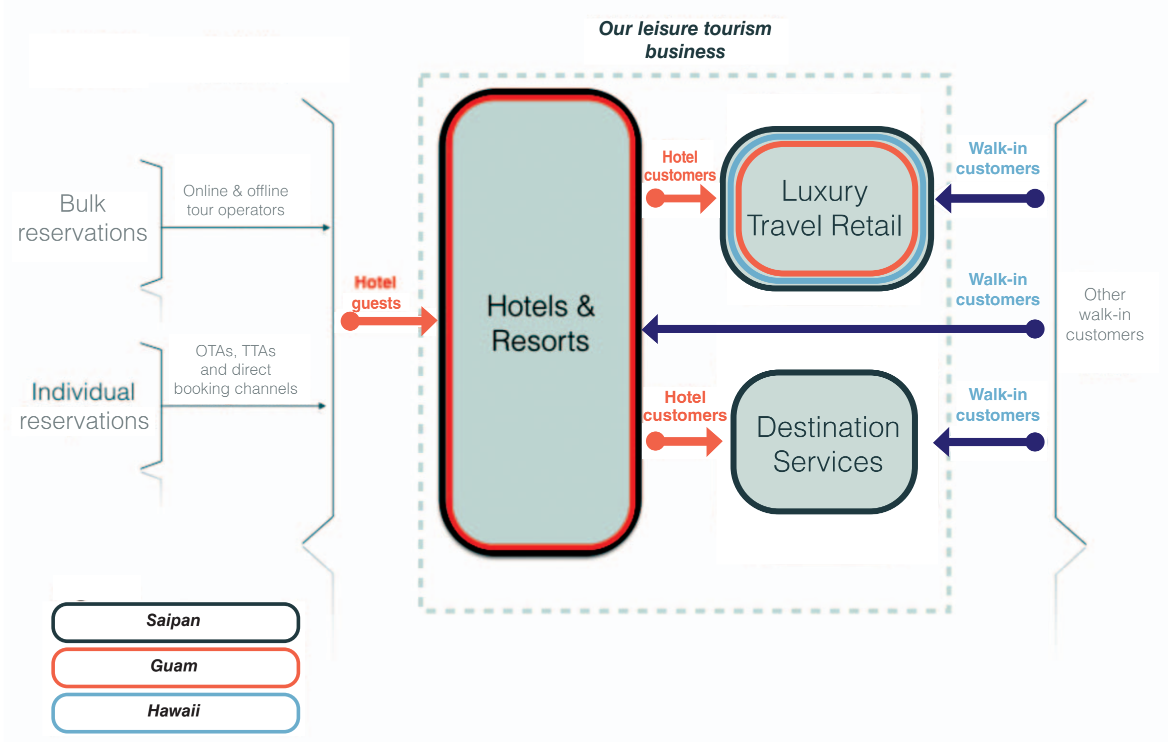
See "— B. Luxury Travel Retail Sector — Travel Retail Operations — Boutique Development" below for details.

ADAPT TO MARKET CHANGES AND LEAD THE LEISURE TOURISM MARKET IN SAIPAN AND GUAM WITH INNOVATION

The leisure tourism market in Saipan and Guam is constantly developing in terms of preferences and traveler behaviors. It is therefore of utmost importance for a leisure tourism business to ensure that the travel product and service offering, its value proposition and perceived market position always stay relevant and appreciated. We have a proven track record of tourism innovations to maintain our appeal to leisure travelers. For example, *SeaTouch*, our unique stingray interaction experience, is one-of-its-kind in Saipan and is regarded by many as a top attraction on the island itself. We are also one of first land operators in Saipan to accept excursion tour bookings through popular social media platforms such as WeChat and KakaoTalk. We will continue to work with key industry stakeholders and strive to stay at the forefront of the leisure tourism market in Saipan and Guam.

BUSINESS MODEL

The chart below shows our principal operating model of our leisure tourism business:-



The extensive footprints of our tourism assets and activities encompass the following 3 business sectors:-

— **Hotels & Resorts Sector** self-operates and manages 3 hotels and resorts in Saipan and 1 in Guam, each positioned to distinct pricing and recreational needs of our hotel guests. Our accommodation is sold and marketed through the following booking channels:-

- ***Bulk reservations.*** Accommodation is generally reserved in bulk by online and offline tour operators, which often bundle our accommodation into holiday packages and on-sell them either directly to end-guests or through other travel agents. We have a buyer/seller relationship with these tour operators, who are accounted for as our customers in our financial statements. We usually offer tour operators static pricing categorized based on seasonality to generate a stable volume for our hotels and resorts.

- ***Individual reservations.*** Accommodation is booked as individual reservations through TTAs, OTAs as well as our own websites and direct hotel bookings. For TTAs, payment is settled by TTAs, which are accounted for as our customers and have a buyer/seller relationship with us. For OTAs, payment is made before or upon check-out by end-guests, who are accounted for as our customers in our financial statements. We have a principal/agent relationship with OTAs. Pricing through these booking channels is generally dynamic and adjusted based on supply and demand over time for yield optimization.

Our hotels and resorts are self-operated and managed on leasehold property interests, giving us full control over the entire operating process. Although we are not subject to management fees and other revenue or profit-sharing arrangements which might be required under other competing operating models, our operating model also carries in full the risks associated with hotel and resort operations.

As a full-range hospitality provider, we also provide food and beverage, meetings, banquets, and there are also other hospitality services such as minibars, spas and fitness in our hotels and resorts. These services are either self-operated or contracted to third parties as concessions for rental incomes. Our sector revenue is therefore sub-categorized into (1) accommodation, (2) food and beverage, meetings and banquets, (3) rental income, and (4) other ancillary services such as minibars and amenities. Our key supplies in this sector are food and beverage ingredients, utilities, and other miscellaneous hotel consumables such as linens and toiletries.

– **Luxury Travel Retail Sector** sells 9 world-renowned brands of luxurious and leisure fashion items and accessories across 5 boutiques in Saipan, 8 in Guam and 5 in Honolulu, Hawaii. Each of our boutiques houses one single brand and is a stand-alone concept store. We operate our boutiques (1) on leased retail premises, and (2) under franchise and distribution agreements with the brand owners which wholesale the merchandises to us against specific operational, service and design requirements. We recognize revenue upon sales to retail customers, which are either hotel guests staying at our accommodation or walk-in customers.

– **Destination Services Sector** (1) self-operates 3 unique excursion tours, namely *SeaTouch*, *Let's Go Tour* and *Jetovator*, and 3 *iShop* souvenir and amenities stores, (2) provides destination-based concierge and travel management services to holiday package guests in Saipan, and (3) provides booking services for third-party operated activities and tours. Our team of 17 tour guides as of the Latest Practicable Date also, through their active traveler interaction, actively cross-sell our other travel products and service components.

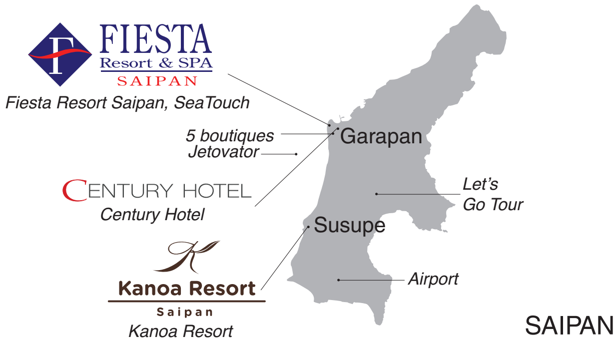
For our entire operations as a whole, our key suppliers are utilities providers and food and beverage ingredient suppliers of our Hotels & Resorts Sector, as well as brand owners of our Luxury Travel Retail Sector, and our key customers are primarily tour operators in our Hotels & Resorts Sector.

DESTINATION OVERVIEW

Our market-leading tourism operations and activities are principally based in the tropical islands of Saipan and Guam, the U.S. territories located in the Western Pacific Region around 3,500 k.m., or a 5-hour flight, from Hong Kong.

SAIPAN

White sand beach at our Fiesta Resort Saipan



An overview of our operations in Saipan

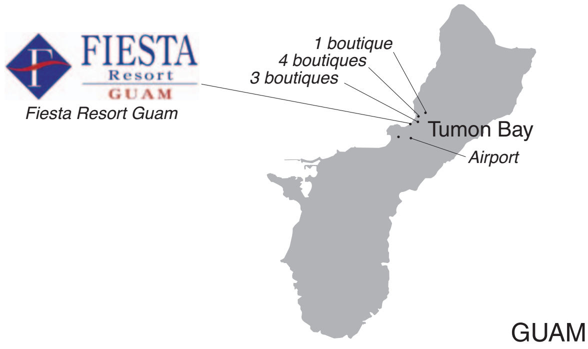
Saipan, the largest island and the administrative center of the CNMI (a U.S. territory), is a tropical island escape with white sand beaches, pristine water, world-class diving spots and full-range golf courses. The island's close proximity to major Asian cities, its nature beauty, tropical climate and abundant historical sites from the World War II make it an ideal beach holiday destination for leisure travelers in the Asia Pacific region.

The leisure tourism market in Saipan has developed positively between 2013 and 2017, with a 10.8% growth in tourist arrivals, and a 13.8% growth in revenue in the overall market, each on a CAGR basis. In 2017, tourists mainly come from South Korea (51.0%), China (35.1%) and Japan (8.0%), all of which have direct flight connections with Saipan. The tourist mix is closely associated with the CNMI's entry policies, which enables tourists from its major markets, most notably China, to enter the CNMI without a U.S. entry visa. Competitive landscape in Saipan's leisure tourism market is relatively moderate. In 2017, there were around 10 hotel and resort establishments in Saipan in the mid-market segment or above, of which only 2 are considered up-market players.

Saipan is our principal base of operations. We strategically established an extensive presence in Saipan as we see opportunities from its entry requirements, competitive landscape and relatively untouched natural environment. As of the Latest Practicable Date, we operated 3 hotels and resorts, 5 travel retail boutiques and various destination services in Saipan. The synergistic effects of our 3 business sectors are fully actualized in Saipan, offering a truly end-to-end holiday experiences to leisure travelers.

GUAM

Ocean view from our Fiesta Resort Guam



An overview of our operations in Guam

Guam, well-connected with Hawaii, the U.S. mainland and key Asian capitals by air, has been developed into a popular beach holiday destination since the 1980s. In addition to its beach and diving spots, Guam boasts lush green trails, indigenous Chamorro culture and a food scene enriched by Mexican and Spanish influences. Guam is distinct from Saipan with more developed infrastructure, offering extensive nightlife and shopping experiences.

Tourists arrivals in Guam grew on a CAGR basis at 3.9% from 2013 to 2017. Japan and South Korea are the largest tourist origins, accounting for 43.2% and 41.6%, respectively in 2017, followed by the U.S. mainland (3.9%), Taiwan (2.3%) and China (1.5%). Guam operates a special visa program that exempts, among others, Japanese, South Koreans, Hong Kong and Taiwanese travelers. In addition to leisure travelers, the tourism industry in Guam also caters to the recreational and business needs of the U.S. military and their family members from an air force base and a naval base on the island.

We operated sizeable travel retail operations of 8 boutiques in Guam as of the Latest Practicable Date driven by an active shopping scene and a zero import duty and goods and service tax (GST) policy. Our Guam travel retail boutiques synergize with our *Fiesta Resort Guam*.

HAWAII

Aside from Saipan and Guam, we established a presence in Honolulu, Hawaii in April 2018 by taking over 5 travel retail boutiques under an American accessories brand. The revenue contribution of our Hawaiian operations was insignificant during the Track Record Period.

The table below shows the revenue we generated from Saipan, Guam and Hawaii during the Track Record Period:-

	For the financial year ended December 31					
Location	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Saipan	48,802	60.1	57,263	64.0	59,532	59.4
Guam	32,436	39.9	32,167	36.0	35,163	35.1
Hawaii	—	—	—	—	5,483	5.5
Total	**81,238**	**100.0**	**89,430**	**100.0**	**100,178**	**100.0**

A. HOTELS & RESORTS SECTOR

With 4 hotels and resorts and 991 available rooms as of the Latest Practicable Date, we are the largest network of holiday accommodation in Saipan by number of properties, number of rooms sold and revenue in 2017. Our *Fiesta Resort Guam* is also one of the notable beach-front resorts in Guam. By market share, we enjoy #1 in Saipan, having commanded 33.7% of the island's hotels and resorts revenue in 2017 and sold around 330,000 rooms per year on average during the Track Record Period. We built our market leading position through continuous investments and improvements to align the appeal of our hotels and resorts with travelers' preferences and local market demand.

Our Hotels & Resorts Sector is our top-grossing and flagship sector. For the 3 financial years ended December 31, 2018, we recorded a sector revenue of US$63.1 million, US$67.1 million and US$66.6 million, respectively, representing on average 72.7% of our total revenue during the Track Record Period. The segment results from our Hotels & Resorts Sector represented 90.2% of our total segment results during the Track Record Period, with a segment margin averaged at 20.6%.

PORTFOLIO OVERVIEW

Our hotels and resorts are each positioned to distinct pricing and recreational needs of our hotel guests. *Fiesta Resort Saipan*, a full-service, family-style resort located in the heart of Garapan, Saipan's tourism center, has been ranked as the best resort in Saipan on TripAdvisor, an independent online traveler community. *Kanoa Resort* is a secluded escape away from Saipan's downtown area that is fronted by a long stretch of white sand beach. *Century Hotel* is an affordable facility in Saipan targeted towards budget-conscious holiday-makers and business travelers, and *Fiesta Resort Guam,* situated on Guam's Tumon Bay tourism center, carries the same name and service philosophy of its Saipan counterpart. Together, our well-located and diversified hotel and resort portfolio recorded an above-market occupancy rate of 90.9% on average for the financial year ended December 31, 2018.

The table below gives an overview of our hotel and resort portfolio as of the Latest Practicable Date:-

	Fiesta Resort Saipan	Kanoa Resort	Century Hotel	Fiesta Resort Guam
Location	Saipan, in the heart of Garapan tourism center	Saipan, secluded location away from downtown area	Saipan, in the heart of Garapan tourism center	Guam, Tumon Bay tourism center
Room *(no.)*	416	224	33	318
GFA *(sq.m.)*	17,644	20,267	1,395	17,567
Market position	Full-service, family-style beachfront resort with prime location	Full-service, family-style beachfront resort secluded from downtown area	Affordable hotel with prime location	Full-service, family-style beachfront resort
Targeted guests	Mid-market leisure travelers	Mid-market leisure travelers	Budget leisure and business travelers	Mid-market leisure travelers
Key attractions	- Downtown location - Joyful Dinner Show - *SeaTouch* stingray interaction - Jetovator, a hydro-powered jetski - Meeting and banquet facilities	- Secluded location - Waterslides - Long stretch of white sand beach with sunset view - Historical and cultural remains with resident coral reefs	- Downtown location - 24-hour dining	- Beachside BBQ - Resident coral reefs - Marine sports center
Facilities and service offering *(Note)*				
Food and beverages	5 F&B outlets	5 F&B outlets	2 F&B outlets	3 F&B outlets
Swimming pools	2 outdoor pools waterslides	2 outdoor pools, waterslides	—	2 outdoor pools
Fitness and leisure	1 fitness center and 2 tennis courts, beauty and spa treatments	1 fitness center and 2 tennis courts, beach volleyball court	—	1 fitness center and 2 tennis courts, beauty and spa treatments
Meeting and banquet	Hibiscus hall (sits 400) and Sablan boardroom (12)	Seaside hall (sits 200) and The Latte Stone (40)	—	Fiestan Tasi (sits 30)

Note: Some of the on-site facilities and services are operated by third parties on concession. See "— Hotels & Resort Offerings" below for details.

KEY OPERATING METRICS

Available room rate, occupancy rate and revenue per available room

A testament of the strength of our hospitality offering is our measurement against the key performance indicators of the hotel and resort industry, which evaluates performance by the following key metrics:-

— Average room rate (ARR), calculated by dividing room revenue by total number of rooms sold in a given period, measuring room price attained by a hotel or resort or a group of them.

— Occupancy rate, calculated by dividing the total number of rooms sold in a given period by the total number of rooms available at a hotel or resort or a group of them, measuring the utilization of their available capacity.

— Revenue per available room (RevPAR), calculated by multiplying ARR and occupancy rate, measuring the performance over comparable periods.

The table below shows the ARR and occupancy rate of our hotels and resorts during the Track Record Period:-

	For the financial year ended December 31		
	2016	**2017**	**2018**
Average room rate (ARR) (*US$*)			
Fiesta Resort Saipan	144.1	151.0	153.2
Kanoa Resort	104.3	114.3	121.0
Century Hotel	80.5	89.5	88.0
Fiesta Resort Guam	133.9	141.9	140.7
Hotels & Resorts Sector average	**130.0**	**137.5**	**140.0**
Occupancy rate (%)			
Fiesta Resort Saipan	95.5	96.8	92.4
Kanoa Resort	89.7	97.7	89.2
Century Hotel	89.6	96.8	88.6
Fiesta Resort Guam	86.0	82.4	90.4
Hotels & Resorts Sector average	**91.0**	**92.4**	**90.9**

The ARR of our hotels and resorts showed an overall growth trend throughout the Track Record Period in line with the development of Saipan and Guam as popular beach holiday destinations, rising tourist expenditure, and over-demand of holiday accommodation in Saipan. Our ARR indicates that our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* are mid-market holiday accommodation in Saipan and Guam. Our Century Hotel focuses on the budget to mid-market.

Our occupancy rate was 91.0%, 92.4% and 90.9%, respectively for the 3 financial years ended December 31, 2018, which was above the market average. Timed against late-night and early-morning flights in Saipan, we from time to time offer half-day bookings to selected markets during peak seasons.

The table below shows the room revenue against RevPAR of our hotels and resorts during the Track Record Period:-

	For the financial year ended December 31		
	2016	**2017**	**2018**
Room revenue (*US$'000)*			
Fiesta Resort Saipan	20,894	22,188	21,495
Kanoa Resort	7,656	9,126	8,751
Century Hotel	869	1,044	925
Fiesta Resort Guam	13,364	13,567	14,481
Hotels & Resorts Sector total	**42,783**	**45,925**	**45,652**
Revenue per available night (RevPAR) (*US$*)			
Fiesta Resort Saipan	137.6	146.1	141.6
Kanoa Resort	93.6	111.6	107.9
Century Hotel	72.1	86.7	78.0
Fiesta Resort Guam	115.1	116.9	127.2
Hotels & Resorts Sector average	**118.3**	**127.0**	**127.3**

As (1) our occupancy rate had been stable and close to full capacity, and (2) our ARR had been on an upward trend, the RevPAR across our hotels and resorts had been rising during the Track Record Period, showcasing our positive and growing operational performance in each of our hotels and resorts.

In the financial year ended December 31, 2018, the operating performance of our Hotels & Resorts Sector was slightly impacted by Super Typhoon Yutu, which tore through Saipan on October 24, 2018 and caused temporary closure of the Saipan International Airport and temporary suspension of commercial flights for inbound travelers. We did not experience any structural or permanent damage and our hotels and resorts (as well as our travel retail boutiques and other tourism assets) were operational immediately after. By early December 2018, airport had re-opened, tourism activities had gradually returned to normal, and a majority of inbound commercial flights had resumed.

We consider that Super Typhoon Yutu did not have a material or long-lasting effect on our business operations, financial conditions and results of operations. The period of airport closure and suspension of commercial flights into Saipan, being the month of November, is traditionally a low season for us and the leisure tourism market as a whole. Solely for potential investors' reference only and based on our unaudited management accounts, our ARR in Saipan remained on an upward trend between November 2017 and 2018 and grew from around US$125.6 to US$142.8 on a year-on-year basis. On the other hand, our occupancy rate and RevPAR in Saipan reduced from around 93.0% to 68.6% and around US$116.8 to US$97.9, respectively, during the same periods. Our operating performance in Saipan in November 2018 can be attributed to (1) a short-term decline of the occupancy level of our *Kanoa Resort* and *Century Hotel* due to temporary suspension of incoming tourists, and (2) *Fiesta Resort Saipan* hosted a large number of U.S. military, utilities suppliers and relief workers, which countered the decline in occupancy level and generated higher than usual room rates. These impacts were largely offset on a full-year basis and our encouraging performance in Guam, which saw a higher contribution of bookings through OTAs (a booking channel that traditionally commands a bigger margin). For our Group taken as a whole, we recorded an increase in both ARR and RevPAR and experienced a slightly reduction in our occupancy level from 92.4% to 90.9% between the financial years ended December 31, 2017 and 2018.

Saipan and Guam are prone to typhoons. Potential investors should carefully read "Risk Factors — Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect demand for travel activities or a general apprehension of such events may significantly and adversely impact on our business and operating results".

The metric we use to measure our performance against our peers is revenue generating indicator (RGI), which compares our RevPAR against the average RevPAR of our main peers in the market. RGI is calculated by dividing the RevPAR of a hotel or resort or a group of them by the average RevPAR of its market peers. An RGI of 1 indicates a RevPAR on par with our main peers, and a RGI above 1 indicates a RevPAR above this average. We derive the RevPAR of our main peers from statistics gathered by industry associations and our Industry Consultant.

During the Track Record Period, our *Fiesta Resort Saipan* consistently generated a RevPAR premium compared to our main peers on the island, with its RGI reaching 1.20 for the financial year ended December 31, 2018.

The table below shows the RGI of our hotels and resorts during the Track Record Period:-

	For the financial year ended December 31		
	2016	**2017**	**2018**
Revenue generating indicator (RGI)			
Fiesta Resort Saipan	1.09	1.05	1.20
Kanoa Resort	0.73	0.80	0.91
Century Hotel	0.57	0.63	0.66
Fiesta Resort Guam	0.87	0.85	0.96

Despite our continuous growth in ARR, occupancy rate and RevPAR during the Track Record Period, our hotels and resorts operated and were priced as mid-market players in Saipan and Guam. This was principally attributed to our relatively higher room age, which restricted our ability to command higher room rates against our peers. With the growing popularity of Saipan and Guam as beach holiday destinations towards Asia Pacific leisure travelers and the global tourist preferences for premium travel experiences, we intend to implement a US$56.7 million asset rejuvenation plan to overhaul the accommodation and service offering at our *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam*. See "— Strategies on Future Business Development" above and "— Hotels and Resorts Development — Asset Rejuvenation Plan" below for details. It is expected that our asset rejuvenation plan will lift these 3 properties towards the more attractive up-market segment, and will particularly position us well against (1) the under-supply of up-market holiday accommodation in Saipan with only 2 peers in 2017, and (2) the presence of a number of internationally branded market peers in Guam, which constantly gives us pricing pressure and intensifies competition.

Turnover and income source

Our Hotels & Resorts Sector generates revenue primarily from accommodation. During the Track Record Period, room revenue contributed on average to 68.3% of the sector revenue of our Hotel & Resorts Sector and 49.6% of our total revenue.

As a full-range hospitality service provider, we also offer food and beverage, meeting and banquet services. These services allow us to differentiate our hotels and resorts from our market peers and diversify our income source and customer base to generate revenue from locals and travelers staying at other accommodation. Food and beverage includes the sale of food and drinks at the restaurants, bars, as well as conferences, meetings and banquets packages (including food and beverage and facility rentals). Aside from our on-site dining options, we also cater to (1) a buffet-style restaurant located in Managaha island, a popular day-trip destination in Saipan, and (2) a burger shop in Garapan, Saipan's tourism center. Food and beverage revenue represented on average 28.5% of the sector revenue of our Hotels & Resorts Sector during the Track Record Period. We are able to generate synergies between our food and beverage operations (including restaurants and bars) and our meetings and banquets operations, as we can to a large extent use the same personnel across these services and centralize organization and procurement. See "— Hotel and Resort Offering" below for further details. We believe that our food and beverage offering is a key factor when customers are selecting a venue for accommodation, meetings and banquets.

Managaha island is a government-owned property where various leisure tourism activities were operated by a third-party concession owner. Our restaurant on Managaha island is in turn operated on a sub-concession with the concession owner. In late-January 2019, the CNMI government announced its plans to assign the operation rights to a new concession owner in March 2019. We are in active negotiations with the new concession owner to continue with our restaurant operations. For potential investors' reference, our Managaha restaurant accounted for 1.8%, 1.9% and 1.4%, respectively, of our total revenue for the 3 financial years ended December 31, 2018.

A number of hospitality services at our hotels and resorts are contracted to third parties on concessions in return for rental income, which are charged generally on a fixed rent basis. These services, which enable us to diversify our service offering without significant investment, include spa and beauty treatments, restaurants and bars, travel booking services, marine sport rentals and taxi stands. During the Track Record Period, our rental income accounted for on average 1.7% of the sector revenue of our Hotels & Resorts Sector.

The table below shows a breakdown of the sector revenue of our Hotels & Resorts Sector by income source during the Track Record Period:-

	For the financial year ended December 31					
Income source	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Room	42,783	67.8	45,925	68.4	45,652	68.5
Food & beverage, meetings and banquet	18,384	29.1	18,901	28.2	18,886	28.4
Rental	1,136	1.9	1,130	1.7	1,120	1.7
Other hospitality (Note)	781	1.2	1,138	1.7	939	1.4
Hotels & Resorts Sector total	**63,084**	**100.0**	**67,094**	**100.0**	**66,597**	**100.0**

Note: Income from other hospitality mainly includes late check-out charges, cancellation charges, laundry income, sale of items from mini bar, smoking fee and extra bed charges.

HOTEL AND RESORT OFFERING

Location

Our hotels and resorts are all located in the tourism centers of Garapan, Saipan and Tumon Bay, Guam, with the exception of *Kanoa Resort* which is positioned as a secluded escape in the village of Susupe, Saipan. Garapan and Tumon Bay each boasts a vibrant scene of food, shopping and entertainment options to complete the holiday experiences of our *Fiesta Resort Saipan*, *Century Hotel* and *Fiesta Resort Guam* guests. These locations also give us ample opportunities to attract locals and other travelers who are not staying at our hotels and resorts with our food and beverage and hospitality offering. The location of *Kanoa Resort* is unique on its own that it is detached from the hustles of downtown area while also being a leisure stroll away from a handful of shopping and dining options. We believe that our well-located portfolio has contributed to the operating and financial performance of our hotels and resorts.

Fiesta Resort Saipan

FIESTA
Resort & SPA
SAIPAN

Fiesta Resort Saipan is on its own the #1 resort in Saipan in terms of number of rooms sold and revenue in 2017, according to Frost & Sullivan. Rated as the best resort in Saipan as of the Latest Practicable Date by TripAdvisor, an independent online travelers' community, *Fiesta Resort Saipan* is a beachfront resort with full-service offering set against a "home away from home" ambience. Located in the heart of Saipan's tourism center, *Fiesta Resort Saipan* is steps away from shopping (including all of our luxury travel boutiques), dining and other entertainment experiences, along with a stretch of white sand beach where our hotel guests can explore Saipan's nature beauty. Spanning a GFA of 17,644 sq.m., the key appeal of our *Fiesta Resort Saipan* includes:-

— "Joyful Dinner Show", a nightly fixture sitting 250 showcasing the indigenous Polynesian culture of hula dances, fire circus and local music. Rounded out by a dinner buffet serving Asian and western cuisine with Polynesian inspirations, our dinner show is well attended by our hotel guests, locals and other travelers and regarded by many as Saipan's best.

— 2 outdoor lagoon pools, a kid's pool and waterslides catering to the delights of adults and children.

— "*SeaTouch*", a one-of-a-kind stingray interaction experience in Saipan operated by our Destination Services Sector, is located within the white sand beach adjacent to *Fiesta Resort Saipan*.

— Hibiscus Hall, our banquet hall with a capacity of 40 which offers internet, video conferencing and audiovisual resources for meeting, conferences and events such as weddings and anniversary dinners, is one of the most popular conference, meeting and banquet venues in Saipan.

"Joyful Dinner Show"

Executive Suite

Accommodation offering

Housing 416 rooms at of the Latest Practicable Date with plenty of configuration and ocean and mountain view options, we intend to position *Fiesta Resort Saipan* as a full-service, family-style resort. Our *Fiesta Resort Saipan* are furnished with floor-to-ceiling windows, balconies and equipped with amenities such as high-speed internet and minibars. The table below shows the room specifications of our *Fiesta Resort Saipan* by types for the periods indicated:-

	As of the Latest Practicable Date		For the financial year ended December 31, 2018
Room type	**Room size** *(sq.m)*	**Room No.**	**Average room rate** *(US$)*
Mountain View	32	126	137.5
Ocean View	32	228	152.9
Executive Room	32	50	172.4
Executive Suite	65	4	232.7
Ocean view Suite	65	7	243.6
Royal Suite	131	1	274.5
Total/average	**33**	**416**	**153.2**

Hospitality service offering

Fiesta Resort Saipan offers a full-service experience with quality food and drinks, spas and beauty treatments, fitness facilities and ample entertainment and recreational options. The table below shows the hospitality facilities and services at our *Fiesta Resort Saipan*:-

Food and beverage	—	*World Cafe*, a buffet experience serving local and international culinary delights. Open for breakfast, lunch, dinner and Sunday brunch.
	—	*World Cafe Terrace*, a casual dining experience offering Japanese, continental and American favorites. Its signature dishes include the Famous Fiesta Burger and the Triple Decker Clubhouse Sandwich.
	—	*Godfather's Beach House Bar,* located on our white sand beach, offers cool drinks and snacks in a relaxed setting with a panoramic view of the Pacific Ocean. It is rated as a top-10 bar on TripAdvisor. (T)
	—	*Chambre Bar*, an up-scale lobby bar serving cocktails and pouring drinks. It is popular as a "happy-hour" local hideaway.
	—	*Mai Teppanyaki*, a fine dining option serving Japanese grill. With a focus on dining experience, it serves wagyu beef, foie gras, live lobsters and tiger prawns, all cooked tableside, in crafty manner. Rated as a top-20 restaurant in Saipan on TripAdvisor.
	—	"*Joyful Dinner Show*", considered by many as Saipan's best.
Meetings and banquets	—	Hibiscus Hall (sits 400), Azucena (120) and Sablan Boardroom (12) offer internet, video conferencing and audiovisual resources for meetings, conferences and events such as weddings and anniversary dinners.
Other facilities and services		
Pools	—	2 outdoor lagoon pools, a kid's pool and waterslides
Fitness and leisure	—	Fitness center and gym
	—	2 tennis courts
	—	Beachfront volleyball courts
	—	*Ni'lala Spa*, a Balinese spa facility situated in the midst of lush gardens and palm trees, offering massages, facials and a range of unique beauty and wellness indulgences. (T)
Other facilities	—	*iShop*, a souvenir and amenities store
	—	Kids rooms
	—	Free parking

Note: (T) means facilities and services operated by third parties on concessions.

Sunset view

Kid's pool and waterslide

Kanoa Resort

Kanoa Resort
Saipan

Kanoa Resort, a secluded escape located in the village of Susupe, is fronted by a long stretch of white sand beach which is regarded by many as the best in Saipan. With a service motto of "Leisure. Comfort. Kanoa" and a GFA of 20,267 sq.m., *Kanoa Resort* is targeted towards individuals, couples and families in search for a beach holiday retreat away from the hustles of downtown area. The west-facing, two-towered property is equipped with spacious rooms, offering sunset views, peaceful decoration and service philosophy imbued with local flavor. The key appeal of our *Kanoa Resort* includes:-

— 2 lagoon pools with water slides taking up half of the hotel precinct's entire length.

— Historical and cultural remains from the World War II, featuring a submerged tank meters away from our white sand beach and visible from ocean view rooms. This tank has become a hideaway for tropical fish and is many snorkelers' favorite.

Lagoon pool with water polo facilities

Tower Royal Deluxe Room

Accommodation offering

Our *Kanoa Resort* is a mid-market resort. The 2 accommodation towers, Main Building and Emerald Tower, offer a combined room count of 224, each decorated and furnished with all-round amenities. Guests opting for ocean view are welcomed by a floor-to-ceiling scenery of turquoise water. The table below shows the room specifications of our *Kanoa Resort* by types for the periods indicated:-

Room type	As of the Latest Practicable Date		For the financial year ended December 31, 2018
	Room size *(sq.m)*	Room No.	Average room rate *(US$)*
Standard Twin	28	140	114.4
Deluxe Twin	42	64	128.8
Superior Twin	38	8	131.6
Tower Royal Deluxe	46	8	140.7
Family	68	4	169.5
Total/average	**34**	**224**	**121.0**

Hospitality service offering

A tropical retreat, *Kanoa Resort* provides a wide range of hospitality offering catering to every leisure travelers' needs on-site. Against its geographical advantage of a west-facing white sand beach, *Kanoa Resort* also offers a range of activities and services to accompany the spectacular Saipan sunset. The table below shows the hospitality facilities and services of our *Kanoa Resort*:-

Food and beverage

— *Isla Cafe*, a seafood-centric buffet experience with views of lush landscaping and blue waters of the Philippines Sea, serving exquisite seafood and international and western cuisine. Open for breakfast, lunch, dinner and all-day a la carte.
— *Isla Terrace*, a casual open-air seating dining experience offering light snacks next to our slide-equipped outdoor lagoon pools.
— *Barefoot BBQ*, a barbeque buffet featuring a cook-your-own option and Micronesian cultural shows with hula dances and narration. Guests could enjoy an interactive show experience in conjunction with an abundant feast of island fares prepared by locals.
— *Nami Lounge*, a sea-themed dining option equipped with karaoke machine and a dance floor with vibrant sea decoration.
— *Food Fair*, a weekly food market featuring Asian dishes (opened seasonally)

Meetings and banquets

— Seaside Hall (sits 200), and The Latte Stone (40) offer internet, video conferencing and audiovisual resources for meetings, conferences and events such as weddings, birthdays and anniversary dinners

Other facilities and services

Pools

– 2 outdoor lagoon pools, a kid's pool and waterslides, spanning half of the length of *Kanoa Resort*

Fitness and leisure

– Fitness center and gym
– 2 tennis courts
– Beachfront volleyball courts
– *"Te Kanahau Anui aka Perlas Marianas",* a cultural performance showcasing legends and history of Micronesia, Polynesia and Melanesia through enchanting hula dances and narration

Other facilities

– *Club C*, an amusement and gaming center (T)
– *iShop*, a souvenir and amenity store
– Beach and non-motorized water activity gear rentals
– Free parking
– Kid's playground

Note: (T) means facilities and services operated by third parties on concessions.

Aerial view of Kanoa Resort

Waterslides

Century Hotel

CENTURY HOTEL

Century Hotel, situated at the heart of Garapan, Saipan's tourism center, is our answer to travelers seeking budget holidays as well as the growing business travel in the Western Pacific Region. Featuring a 24-hour restaurant, Century Hotel has been a popular choice among budget holiday-makers and business travelers in Saipan, which is frequented by late night and early-morning flights especially with budget airlines.

Accommodation offering

Our *Century Hotel* has 33 standard rooms equipped with balconies and furnished with amenities such as wireless internet. Hotel guests are offered with complimentary access to the facilities and services at our *Fiesta Resort Saipan*.

The table below shows the room specifications of our *Century Hotel* by types for the periods indicated:-

	As of the Latest Practicable Date		For the financial year ended December 31, 2018
Room type	**Room size** *(sq.m)*	**Room No.**	**Average room rate** *(US$)*
Standard Rooms	27	33	88.0

Hospitality service offering

The table below shows the hospitality facilities and services of our *Century Hotel*:-

Food and beverage

— *Shirley's Coffee Shop*, a 24-hour restaurant serving western and international cuisine around the clock (T)

— *Tribes Bar*, offering alcoholic drinks with karaoke facilities

Hospitality services

— Guests are offered complimentary access to various services and facilities at our *Fiesta Resort Saipan*

— Free parking

Note: (T) means facilities and services operated by third parties on concessions.

Fiesta Resort Guam

FIESTA
Resort
GUAM

Fiesta Resort Guam, a 17,567 sq.m. facility, is the sister hotel of our *Fiesta Resort Saipan* and strategically located at the Tumon Bay tourism center in Guam. Bearing the *Fiesta* name, *Fiesta Resort Guam* is also positioned as a full-service, family-styled resort with a particular targeted clientele of South Korean and, Japanese travelers as well as the U.S. military in line with the traveler demographics in Guam. The key appeal of our *Fiesta Resort Guam* includes:-

— "Beachside BBQ & Cultural Show", an all-you-can-eat dinner buffet featuring Micronesian and Polynesian dances with fire show sitting 250, which is well-attended by our hotel guests, locals and other travelers who are not staying in our hotels and resorts.

— Marine center, located on our private white sand beach offering guests a range of watersports equipment for hire such as water floats, kayaks, peddle boats, diving masks, snorkels, stand-up paddle boards and beach cabanas.

— "Fiestan Tasi", meaning "Fiesta by the Sea", is together with our North Lawn a banquet facility featuring a spectacular view of the Tumon Bay and a traditional menu of local favorites — an ideal place for meetings, luncheons or celebration.

Private white-sand beach and lawn

Deluxe Room with Ocean View

Accommodation offering

Our *Fiesta Resort Guam* is a mid-market resort. Housing 318 rooms of the Latest Practicable Date with plenty of configuration and coastal and mountain view options, we position *Fiesta Resort Guam* as a full-service, family-styled establishment. Most of the rooms at our *Fiesta Resort Guam* is furnished with floor-to-ceiling windows, balconies and equipped with amenities such as wireless internet, branded toiletries, bottled water and minibars.

The table below shows the room specifications of our *Fiesta Resort Guam* by types for the periods indicated:-

Room type	As of the Latest Practicable Date: Room size *(sq.m)*	As of the Latest Practicable Date: Room No.	For the financial year ended December 31, 2018: Average room rate *(US$)*
Mountain View	27	70	120.1
Ocean View	32	160	139.5
Deluxe Room with Ocean View	32	55	149.2
Junior Suite	54	11	167.7
Family Room	51	14	174.6
Suite	60	7	185.5
Royal Suite	125	1	222.0
Total/average	**33**	**318**	**140.7**

Hospitality service offering

Panoramic view of our lagoon pool

Similar to its sister hotel, *Fiesta Resort Guam* offer a wide range of hospitality facilities and services:-

Food and beverage

— *World Cafe*, a lavish buffet experience serving local and international culinary delights. Open for breakfast, lunch, dinner and Sunday brunch.
— "*Beachside BBQ & Cultural Show*", an all-you-can-eat dinner buffet featuring Micronesian and Polynesian dances with fire show sitting 250.
— *Chocho's Bar*, a poolside bar overlooking the pools and the Tumon Bay. Serves ice cold beverages, refreshing tropical drinks and light fare.

Meetings and banquets	—	*Fiestan Tasi* and *North Lawn* feature spectacular view of the Tumon Bay and is a go-to venue for celebratory events such as weddings, birthday and anniversary dinners.

Other facilities and services

Pools	—	2 outdoor pools, a kid's pool, waterslides and basketball rack
Fitness and leisure	—	Fitness center and gym
Other facilities	—	*Marine Center*, offering watersports equipment rentals
	—	Free parking

North lawn offering unobstructed view of the ocean

Marine Center, offering watersports and air floats rental

SALES

Sales operations and strategies

We centralize the sales operations of our hotels and resorts at Group level, optimizing key commercial and operational performance and covering international and local sales and marketing initiatives. The key focus of our sales team is to manage relationship with our multi-faceted booking channels, which contribute to a board customer coverage and thus our consistently high occupancy rate. Our sales team is organized based on the following functions:-

— *Senior oversight*. Mr. Schweizer, our Executive Director and Head of Hotel Operations, is responsible for our overall sales and pricing strategies and manages our key booking channels such as tour operators and OTAs with an aim to optimizing our revenue and occupancy level throughout our hotel and resort portfolio. He reports directly to Dr. Henry Tan (our Chief Executive Officer) and our Directors on periodic sales performance.

— *Third party sales.* We work with OTAs, TTAs and tour operators, through which a large portion of our accommodation bookings are made.

— *Direct sales.* We are responsible for handling and managing our direct individual accommodation bookings through our own websites and direct hotel bookings for accommodation, meetings, conferences, banquets and events requests. We also self-manage our relationship with corporations, local government and the U.S. military. See "— Strategies on Future Business Development" above for our plans to launch a new online booking interface.

Guests

Our guest mix is generally in line with Saipan's and Guam's tourist arrival origins. Our key markets are China, South Korea and Japan, followed by Taiwan, U.S. military and others. With the growing tendency for global travelers to reserve their accommodation online, our booking channel mix has been tilting towards online travel agencies (OTA), which recorded a sector revenue contribution of 13.7% and 18.3% for the financial year ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% in terms of sector revenue contribution over the Track Record Period. According to our experience and day-to-day guest interactions, most of our online guests are Chinese and South Korean. Our guest mix is principally driven by traveler preferences in our origin markets, government entry and visa requirements, flight schedule and the overall market awareness of Saipan and Guam as holiday destinations.

In line with Saipan's and Guam's overall leisure tourism market, there had been a significant growth in South Korean guests in our Hotels & Resorts Sector during the Track Record Period, mainly driven by growing point-to-point direct flights to Seoul and second-tier Korean cities. Most of our South Korean guests book through OTAs. China had remained as a stable source of group bookings through our sales arrangements with tour operators, which typically have a right to reserve in bulk a number of rooms on a prescribed rate categorized based on seasonality. Due to the suspension of a number of flights between Japan (especially second-tier Japanese cities) and Saipan/Guam, the number of Japanese guests decreased throughout the Track Record Period.

In addition to leisure travelers, we also maintain a stable volume from corporate guests, which include airlines that contract us for crew accommodation.

Booking Channels

Our booking channels are extensive and multi-faceted, which sell and market accommodation primarily through:-

— ***Bulk reservations.*** Accommodation is generally reserved in bulk by online and offline *tour operators*, which often bundle them into holiday packages and on-sell them either directly to end-guests or through other travel agents. We have a buyer/seller relationship with these tour operators, who are accounted for as our customers in our financial statements. We usually offer tour operators static pricing categorized based on seasonality to generate a stable volume for our hotels and resorts.

— ***Individual reservations.*** Accommodation is booked as individual reservations through TTAs, OTAs as well as our own websites and direct hotel bookings. For TTAs, payment is settled by TTAs, which are accounted for as our customers and have a buyer/seller relationship with us. For OTAs, payment is made before or upon check-out by the end-guests, who in turn are accounted for as our customers in our financial statements. We have a principal/agent relationship with OTAs. Pricing through these booking channels is generally dynamic and adjusted based on supply and demand over time for yield optimization.

Together, our multi-faceted booking channels translate into a broad customer coverage ranging from the more traditional and conservative travelers looking for the convenience and potentially cost-saving benefits from tours and bundled packages, to the younger travelers who enjoys the flexibility and pricing transparency from customizing each travel components through online channels.

The table below shows the typical commercial features of our multi-faceted booking channels:-

	Reservations in bulk	Individual reservations	
Booking channels	**Tour operators**	**OTAs and TTAs**	**Our websites and direct hotel bookings**
Sales arrangements	Tour operators are given the right to reserve in bulk a number of room nights	Bookings are back-to-back orders from the end-guests	Bookings are directly made by the end-guests
Long-term agreements	Sales agreements generally have a 1-year term and are re-negotiated annually based on our operating needs	For OTAs' Master agreements of generally 1 year which govern commission arrangements For TTAs, *nil*	Not applicable. Certain corporate customers may enter into annual sales framework agreements with us
Minimum purchase amount	Tour operators are entitled, but not obliged, to reserve a number of allocated room nights	*Nil*	Not applicable
Geographical exclusivity	*Nil*(note)	*Nil*	*Nil*
Pricing	Static pricing that is categorized based on seasonality and is typically lower than the other booking channels in consideration for an often bulk base volume	Dynamic pricing based on supply and demand over time	Dynamic pricing based on supply and demand over time. Certain corporate customers may have static pricing under their annual sales agreements
Agency commission	*Nil*	For OTAs, 10 — 15% For TTAs, *nil*	*Nil*
Relationship with us	Buyer/seller	For OTAs, principal/agent For TTAs, buyer/seller	Direct customer relationship
Recognition in our financial statements	Tour operators are accounted for as our customers	For TTA bookings, TTAs are accounted for as our customers. For OTA bookings, end-guests are accounted for as our customers	End-guests and our corporate customers are accounted for as our customers
Room rate and room number adjustment	Room rate is fixed based on annual sales agreements and categorized by seasonality. Tour operators are given the right to reserve in bulk a number of room nights, but we reserve the right to from time to time reduce their allocation in case of unsatisfactory realization	Room availability is based on inventory level at the time of booking	Room availability is based on inventory level at the time of booking

	Reservations in bulk	Individual reservations	
Booking channels	**Tour operators**	**OTAs and TTAs**	**Our websites and direct hotel bookings**
Credit term	30 days from issue of invoice. Invoice issued twice a month	For OTAs, payment may be held on escrow by them (in which case it is paid monthly) or made directly by the end-guests. For TTAs, payment is settled by TTAs with a credit term of 30 days	Payment is in general made directly by end-guests before or upon check-out. For selected corporate customers, we grant a credit term of 30 days
Cancellation policy	Any bookings not canceled within 10 to 28 days from guest arrival will be chargeable	Cancellation policies varies depending on rate package. For example, "savers" or "early bird" rates are non-cancellable and non-refundable, while "flexible" rates allow cancellation up to a prescribed date	Cancellation policies varies depending on rate package. For example, "savers" or "early bird" rates are non-cancellable and non-refundable, while "flexible" rates allow cancellation up to a prescribed date

Note: Certain tour operators are designated with a geographical location under their sales agreements. These tour operators are generally not allowed to sell our tourism products outside of the designated location.

The table below shows the sector revenue of our Hotels & Resorts Sector by booking channels during the Track Record Period:-

	For the financial year ended December 31					
Booking channels	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Reservations in bulk						
Tour operators[1]	28,104	44.6	26,953	40.2	25,672	38.5
Individual reservations						
Online travel agents (OTA)[1]	8,645	13.7	11,704	17.4	12,196	18.3
Traditional travel agents (TTA)[1]	614	1.0	813	1.2	249	0.4
Direct booking[1]	6,681	10.6	6,468	9.6	8,209	12.3
Sub-total	***15,940***	***25.3***	***18,985***	***28.2***	***20,654***	***31.0***
Others[2]	19,040	30.1	21,156	31.6	20,271	30.5
Hotels & Resorts Sector total	**63,084**	**100.0**	**67,094**	**100.0**	**66,597**	**100.0**

Notes:

(1) These figures include our in-house guests' spending on food and beverage and other hospitality services and amenities that are purchased at the time of booking.

(2) "Others" includes the food and beverage and other hospitality services and amenities income purchased by our in-house guests on an ad hoc basis and non in-house guests, as well as rental income derived from third-party operated services and facilities which are run on concessions.

The hotel-booking landscape has changed dynamically over the last few years, and is expected to continue to do so, mainly driven by the growth of online booking channels such as OTAs and the strength of the OTAs' membership loyalty programs. With the growing penetration of OTAs and traveler tendency to purchase holiday accommodation as an individual component for their holidays, our booking channel mix has been tilting towards OTAs, which recorded a sector revenue contribution of 13.7% and 18.3% for the financial year ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% in terms of sector revenue contribution over the Track Record Period.

Our book-building approach values our established relationship with various booking channels. Tour operators, which reserve in bulk our accommodation, provide us with a stable volume to cover our total operating costs and hedge against the cyclical and seasonal nature of our industry. This is an important consideration to our Group as an operator and manager of a portfolio of hotels and resorts without a third-party manager to share the risks with. We then optimize our average room rates, turnover and profitability with the dynamic pricing we offer through other booking channels.

On the bases that (1) the sales landscape of the leisure tourism market is transparent and dynamic, (2) the rising number of travelers in our major markets such as China and South Korea, (3) the growing number and diversity of OTAs, and (4) the growing prevalence of OTAs over traditional booking channels during the Track Record Period and beyond, we do not consider that there is a cannibalization or risks of undue competition among our various booking channels. Our credit and payment policies are also in line with industry norms, and we generally recover our trade receivables on time without material account uncollectibles.

The table below shows the number of third-party booking channels we had business relationship with as of the dates indicated:-

	As of December 31		
Booking channels	**2016**	**2017**	**2018**
Reservations in bulk			
Tour operators	44	46	43
Individual reservations			
OTAs	9	9	10
TTAs	10	11	6
Total	**63**	**66**	**59**

Except for QZ Tours, a deemed connected person of our Company under the Listing Rules as discussed in "— Tour Operators — QZ Tours" below, none of our booking channels is a connected person of our Company or an associate of our connected persons under the Listing Rules. None of the booking channels we received bookings from is owned or operated by our current or previous employees.

Tour operators

We enter into annual sales agreements with tour operators, many of which give them the right to reserve in bulk a number of "allocated" rooms. Each year, we discuss with tour operators based on our operating needs and their sales capability to allocate them a number of room nights, which are typically priced at fixed rates categorized by seasonality. The number of room allocation and the static rates we offer are in turn subject to a number of factors, such as our main peers' behaviors, the tour operators' home market demand, and above all their purchase volume over the years. Any reservation in excess of their room allocation must be separately negotiated.

A tour operator is often given a "release" date and a "cancellation" date prescribed in its sales agreement with us. Any allocated room not reserved before the "release" date will be released to us and re-allocated to other booking channels, and any reserved room not canceled before the "cancellation" date will be chargeable. Release date and cancellation date vary by seasons and may fall on the same date. During the Track Record Period, release date and cancellation date usually range from 10 to 28 days prior to guest check-in, although we offer a shorter release or cancellation period (as short as 5 days) to larger tour operators which have had a stable record of bulk purchase volume, such as QZ Tours as described in "— QZ Tours" below. We generally do not encounter any material difficulty in filling up the rooms released or canceled by tour operators, given the growing popularity of OTAs (which are usually higher-yielding) and Saipan and Guam as beach holiday destinations in general. We consider that our arrangements with tour operators are generally in line with the global hotels and resorts industry norms.

Tour operators are important in reaching international markets and maintaining a stable volume for our hotels and resorts. During the Track Record Period, the tour operators we contracted with are typically based in China, Japan and the Western Pacific Region, while the end-guests booked under this channel were primarily originated from China and Japan. On an annual basis, around 60% of our available room nights were allocated to tour operators during the Track Record Period.

Our sales agreements typically contain a list of seasonal pre-set rates depending on room type and seasonality, and are in general re-negotiated annually. In line with industry norms and in consideration for the volume reserved, the ARRs we offered to tour operators typically represent an around 9.1% discount to our ARRs during the Track Record Period. We recognize revenue throughout the periods of stay, and in general we issue invoice to tour operators twice a month with a 30-day credit period. Tour operators are accounted for as our customers in our financial statements. As of December 31, 2016, 2017 and 2018, we had sales agreements with 44, 46 and 43 tour operators, respectively.

Tour operators often bundle our accommodation as holiday packages and on-sell them either directly to end-guests through their own online and offline sales network or other travel agents.

QZ Tours

During the Track Record Period, we generated on average 16.8% of the sector revenue of our Hotels & Resorts Sector from QZ Tours, a tour operator based in Beijing, China. QZ Tours is owned as to 99% by Mr. ZHOU Xindong (周新東先生), a brother-in-law of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). The remaining shareholder is an independent third party. QZ Tours is thus a deemed connected person of our Company under the Listing Rules. For the 3 financial years ended December 31, 2018, QZ Tours accounted for 14.2%, 11.2% and 11.4%, respectively, of our total revenue, and was our largest customer (by revenue contribution) throughout the Track Record Period. We typically enter into sales agreements on an annual basis with QZ Tours, which

(1) is given a right to reserve in bulk over 25% of our total available room nights, (2) purchases meal coupons from our on-site restaurants and our self-operated excursion tours, and (3) procures destination-based concierge and travel management services from our Destination Services Sector. These travel products and services are bundled by QZ Tours into holiday packages and on-sold to its customers.

QZ Tours was established in China in August 2012 and is a personal and private investment and business venture of Mr. Zhou. None of the directors, shareholders, supervisors and officers of QZ Tours is (1) a current or past director, senior manager or employee of our Group, and (2) except for Mr. Zhou, a member of the Tan Family.

Our transactions with QZ Tours have been, and will continue to be, on normal commercial terms based on arm's length negotiations. As part of its product offering, QZ Tours charters flights to Saipan, procures local travel products and services from us and other independent suppliers, and sells them on to end-travelers through its extensive sales network and to other OTAs and TTAs. Due to (1) our overlapping geographical markets in Saipan, (2) as a leading hotel and resort operator in Saipan, our offering of a sizable number of available rooms to accommodate QZ Tours' growth, and (3) our mid-market position which coincides with the pricing preferences of QZ Tours' holiday package guests, we have since 2012 developed a close and long-term collaboration with QZ Tours. QZ Tours has been providing us with a stable volume for our hotels and resorts, from which we optimize our turnover and yield and hedge against the seasonal and cyclical downside of the leisure tourism market in Saipan. To the best knowledge of our Directors, QZ Tours had been profitable during the Track Record Period, and we accounted for no more than 30% of its costs of sales during the same period. Aside from us, QZ Tours has a diverse and sizeable base of accommodation and other travel service suppliers, including other hotels and resorts in Saipan and Guam.

Our sales agreements with QZ Tours were primarily priced based on their bulk room purchases (the largest among our tour operators). During the Track Record Period, QZ Tours is granted a credit period of 30 days from the date of invoice, in line with the credit term we typically offer to other independent tour operators and with no significant debt and collection issue.

During the Track Record Period, the commercial terms we offered to QZ Tours were substantially the same as those we offered to other independent tour operators (including those which also place bulk bookings with us), with the exception of the following differences. Notwithstanding these different terms, which were granted primarily due to its bulk purchase volume, we consider that our transactions with QZ Tours have been on normal commercial terms that are commensurate with industry norms.

- We generally offer discount to tour operators which place bulk bookings with us. The level of such discount is determined primarily based on the level of bulk bookings placed with us. For potential investors' reference, for the financial year ended December 31, 2018, QZ Tours (which accounted for 11.4% of our revenue) generally enjoyed a discount of around 12% to our ARR, while the other top independent tour operators (which contributed to 2.3% to 2.7% of our revenue) enjoyed an average discount of around 9% to our ARR.

- Only QZ Tours may extend its guest room check-out time until mid-night at a special late night charge which represented a portion of the room extension rate we offered to other independent tour operators. This was principally to cater to the late-night departures of flights between Saipan and China.

- Only QZ Tours had the option to increase its room allocation in the event that it has secured additional charter flights between Saipan and China.

- QZ Tours was given a cancellation or release date of as short as 5 days prior to guest check-in depending on seasonality, which was shorter than the average 10 to 28 days period we typically offered to other independent tour operators.

- Only QZ Tours had the option to guarantee a room reservation without providing guest names.

Notwithstanding the differences in the terms we offer to QZ Tours and other independent tour operators set out above, our Directors consider that our transactions with QZ Tours have been on normal commercial terms because:-

(1) The different terms we offered to QZ Tours were determined principally with reference to the level of its bulk bookings, which is commensurate with the practices of the global hotels & resorts industry according to our Industry Consultant. None of the other tour operators (including those which also place bulk bookings with us) had placed bookings on a comparable level to that of QZ Tours during the Track Record Period. For the financial year ended December 31, 2018, QZ Tours contributed to 11.4% of our revenue, whereas the next largest tour operator (Customer A) accounted for only 2.7% of our revenue.

(2) The average ARR discount rate offered to QZ Tours is in line with the pricing terms offered by our global peers to their tour operator(s) with a revenue contribution of around 10%, according to our Industry Consultant. As mentioned above, we also generally offer discount to other tour operators which place bulk bookings with us and such discount is primarily determined based on the level of such bulk bookings.

(3) The other terms offered to QZ Tours, such as late check-out, extension of stay and cancellation policy serve as an incentive for QZ Tours to continue placing bulk bookings at the current level, and do not have a material impact on our operations and financial performance, as evidenced by QZ Tours' consistent bulk purchase volume and our consistently high occupancy rate during the Track Record Period.

The Sole Sponsor concurs with our Directors' view above. Our Directors will consider offering these or other commercial terms to QZ Tours after the Listing based on its annual purchase volume and our own operating conditions in the same way they do for other independent tour operators. When doing so, our Directors must disregard the deemed connected person relationship between us and QZ Tours. From time to time, we will also consider offering the terms above to other independent tour operators if they were to achieve a bulk purchase amount comparable to QZ Tours.

After the Listing, our transactions with QZ Tours, a deemed connected person under the Listing Rules, will constitute continuing connected transactions of our Group. To ensure compliance with Chapter 14A of the Listing Rules and safeguard the interests of our Shareholders as a whole, we have entered into the QZ Framework Agreement, which provides, among others, that our transactions from time to time with QZ Tours shall be on normal commercial terms and no less favorable to us when compared with terms we offer to other independent tour operators of comparable purchase volume. In particular, our Audit Committee is empowered under the QZ Framework Agreement to consider and, if appropriate, give specific and express approval to all annual sales agreements and individual purchase orders exceeding HK$3 million on an annual aggregate basis. Our Directors consider that the HK$3 million threshold will be sufficient in safeguarding the interests of our Shareholders as a whole being the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules. See "Continuing Connected Transactions" for further details.

We consider that our transactions with QZ Tours do not constitute undue reliance and would not affect the overall sustainability of our leisure tourism business for the following reasons:-

— *Customer concentration not extreme*. For the 3 financial years ended December 31, 2018, QZ Tours accounted for only 14.2%, 11.2% and 11.4%, respectively, of our total revenue. The transaction amounts and revenue contribution of our transactions with QZ Tours decreased from the financial year ended December 31, 2016 as we diversified our booking channels particularly in light of the growing popularity of OTAs. In terms of room number and percentage, we had also reduced our room allocation to QZ Tours during the Track Record Period.

— *Multi-faceted booking channels giving us contingent sales capability*. As discussed above, our booking channels are diversified with extensive reach to international leisure travelers with different pricing and recreational needs. Aside from QZ Tours, we had business relationship with 42 tour operators, 10 OTAs, 6 TTAs and maintained effective direct booking channels as of December 31, 2018. In particular, demands for our hotels and resorts remained strong and consistently improved during the Track Record Period, reaching an occupancy rate of 90.9% for the financial year ended December 31, 2018. In the unlikely event that our business relationship with QZ Tours is disrupted for any reason, we are confident that we will be able to solicit sales through other booking channels and maintain the operating performance of our Hotels & Resorts Sector without incurring significant time and financial costs.

  The QZ Framework Agreement also does not restrict us from transacting with other China-based tour operators, giving us the flexibility to select tour operators based on our operating needs and financial conditions.

— *Business relationship mutual and complementary.* We are a major supplier of QZ Tours. To our Director's best knowledge, for the 3 financial years ended December 31, 2018, we accounted for 20.1%, 20.8% and 26.8%, respectively, of QZ Tours' total cost of sales. Both our Group and QZ Tours have a sizeable base of third-party suppliers and customers, enabling the each of us to operate our respective businesses independently in a sustainable manner. From QZ Tours' perspective, our business relationship is also mutually beneficial given that (1) as a leading hotel and resort operator in Saipan, we offer a sizable number of available rooms to accommodate QZ Tours' growth, and (2) we are positioned in the mid-market segment, which coincides with the pricing preferences of QZ Tours' holiday package tours.

— *Operational and commercial benefits*. Notwithstanding the growing prevalence of OTAs during the Track Record Period, our relationship with QZ Tours and other tour operators remained important in reaching the sizeable outbound tourism market in China and generating a stable volume.

— *Sales capability*. QZ Tours has extensive booking sales capability within the Beijing catchment area, with its extensive sales network and long-standing business relationship with various China-based OTAs and TTAs. The continuation of our collaboration with QZ Tours is thus a reasonable business decision which allows us to directly capture the growing tourist traffic between Beijing and Saipan.

— *Normal commercial terms and arm's length negotiations*. As discussed above, our sales to QZ Tours has been, and will continue under the QZ Framework Agreement to be, on normal commercial terms based on arm's length negotiations. As continuing connected transactions, our business relationship is also bound by Chapter 14A of the Listing Rules to safeguard the interests of our Group and Shareholders. In particular, our Audit Committee is empowered under the QZ

Framework Agreement to give specific and express approval to any annual sales agreements and individual purchase orders exceeding the amount of HK$3 million. Our Industry Consultant has also confirmed to us that the terms we offer to QZ Tours have been in line with the industry norms of the global hotels and resorts market.

— *Growing industry prospects in Saipan*. As the local government continues to invest in infrastructure improvements and tourism growth, tourist arrivals in Saipan are projected to grow on a CAGR basis at 5.1%, between 2018 to 2022. Riding on favorable industry backdrop, we believe that our leisure tourism business will continue to be viable in the future.

— *Separate business operation*. None of the directors, shareholders, supervisors and officers of QZ Tours is (1) a current or past director, senior manager or employee of our Group, and (2) except for Mr. Zhou, a member of the Tan Family.

We intend to continue with the diversification of our booking channels and place a growing focus on OTAs and our own direct booking channels, especially upon completion of our asset rejuvenation plan to market our upgraded accommodation and service offering. Nevertheless, our relationship with QZ Tours carries inherent business risks. Potential investors should carefully read "Risk Factors — We rely on a number of key sales agreements and arrangements with tour operators to achieve and maintain our market leadership and any material change to or discontinuation of them will have negative impact on our operating and financial performance".

Online travel agents

OTAs mainly deliver individual bookings from international markets. The key OTAs we work with are Expedia, Booking.com, Agoda and CTrip. Bookings through OTAs are growing and is an important channel, particularly in (1) international markets that are more difficult to reach, (2) clientele which do not reserve their holiday components through tour operators or TTAs, for example, the younger generation, and (3) markets where we do not rely on active marketing efforts. We work with some of the largest OTAs with the highest reach to customers on sales and marketing arrangements, which enables our position to benefit from the development of OTAs' growing prevalence. Also included in this category are bookings through global distribution systems (GDS), such as Pegasus, Amadeus or Sabre/Galileo. Such bookings are mainly individual leisure guests in cases where such guests are booking through a travel agent who uses a GDS to make the reservation.

OTAs encourages collaborative promotions. In addition, OTAs will issue emails or mobile notifications to remind customers to complete their booking or revisit their previous searches. These initiatives have enabled OTAs, and eventually us, to market our hotel and resort offerings automatically under a prescribed algorithms, without having the potential tourists to actively reach out for information.

OTAs typically charge us a booking commission ranging from 10% to 15% during the Track Record Period. When a booking is made through OTAs, payment is either (1) held on escrow by OTAs, which would then retain their commission and transfer the net amount to us usually at a monthly interval, or (2) made directly by the end-guest before or upon check-out or at the time of booking, which would then require us to pay an aggregate commission to the OTAs also generally on a monthly basis. In either case the end-guests are accounted for in our financial statements. On this basis, we have a principal/agent relationship with OTAs and their end-guests are accounted for as our customers in our financial statements.

Payment, cancellation and refund policies of bookings made through OTAs vary generally in line of the rate package we offer. For example, “early bird” or “saver” rates require advance payment and are usually non-cancellable and non-refundable, while “flexible” rates allow cancellation up to a prescribed date. Some OTAs require us to give a “best rate guarantee” usually within the online ecosystem. We do not allocate or wholesale accommodation to OTA. Each booking through OTAs is backed by a back-to-back order from the end-guests.

Traditional travel agents

TTAs are offline travel agents typically with physical retail operations. We do not allocate or wholesale accommodation to TTAs. Each booking through TTAs is a back-to-back order from their end-guests. The growing prevalence of OTAs over the past few years has diminished the importance of TTAs, especially among the younger travelers and in a market like Saipan and Guam where leisure travelers take up a large portion of occupancy.

Bookings are settled by TTAs, who are given a credit period of 30 days in general and are accounted are as our customers in our financial statements. We have a buyer/seller relationship with TTAs.

Direct booking channels

Our own direct booking channels are less susceptible to changing landscape in the leisure tourism market with no commission outgoing. From a guest perspective, we also “own” the direct relationships with them. Our direct booking platforms provide us with guest access so that we can proactively respond to their needs. Our own direct booking channels include the following:-

— *Websites*. This category consists of bookings made on our desktop or mobile sites. We plan to deploy additional resources and efforts to launch a new online booking interface that facilities real time rate adjustment against other third-party booking channels and instant booking confirmations to achieve yield growth and attract younger travelers in our key markets such as China, South Korea and Japan.

— *Hotel direct*. This category consists of the direct bookings made to our hotels and resorts, including bookings from the U.S. military, local government and corporations (such as airlines which contract us for crew accommodation). We also receive reservations for meetings, conferences, events and banquets through this channel. Certain corporate customers enter into with us annual sales agreements under which we offer static pricing categorized based on seasonality.

Bookings made through our direct booking channels are paid before or upon check-out. Certain corporate customers are given a credit term of usually 30 days.

Pricing and revenue management

Our pricing strategy is a balancing act between the static pricing we offer to tour operators (which generates a stable volume) and the dynamic pricing we offer through other booking channels (where we capture volume over time based on supply and demand), with a view to optimizing our occupancy rate, RevPAR and yield.

Pricing strategy

Our overall pricing strategy is to offer competitive prices against our market peers, taking account into, among others, the location and quality of hotel or resort, room type, seasonality, day of week and guest segment.

We offer static pricing that is categorized based on seasonality to tour operators which have a right to reserve in bulk our accommodation. This is particularly important in periods of low demand such as weekdays and stormy seasons when we strive to maintain an occupancy rate against our market peers. Fixed prices may also be offered as part of a campaign. These prices are usually prescribed in our sales agreements with tour operators and are determined at the time of entering into such agreements, taking into account, above all, their bulk purchase volume. Providing static pricing also enables us to concurrently manage our costs and optimize our occupancy level, as well as to establish and maintain our long-standing relationship with tour operators.

In contrast, bookings made through other channels are priced dynamically, which helps us maximize our revenue and RevPAR on top of the foundation from tour operator. Bookings under these channels are usually be made much closer to guest arrival, compared to reservations made by tour operators, and hence could be priced more dynamically taking into account market supply and demand, flight schedules, cancellation options, as well as any ad-hoc changes in pricing strategy adopted by our competitors, eventually giving us the flexibility to optimize our occupancy and maximize revenue over time.

We encourage direct booking with pricing incentives to save the agency commission or costs otherwise payable through other booking channels. For example, we from time to time offer concessionary rates to the U.S. military, local government officials and corporations.

We hedge our risks against possible “no-show” or cancellation by commanding a higher room rate in our “flexible rate” offering. Our “saver” or “early bird” rates are usually non-cancellable and non-refundable, meaning that the relevant guest gets a discounted rate through alleviating our risk of booking cancellation. Payment is made in advance by the time the reservation is confirmed.

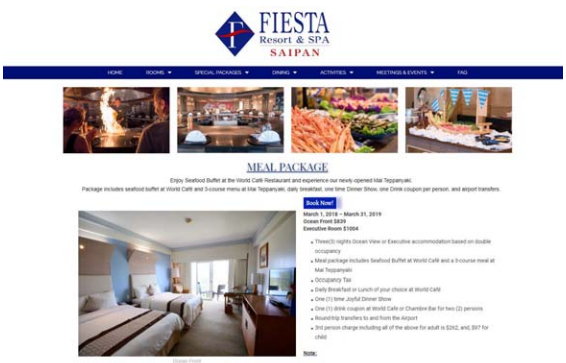
Revenue and occupancy management

Our sales team works closely with our management, utilizing our revenue management system to steer our variable rates through OTAs and direct booking channels and to optimize the occupancy rate and the guest mix of our hotels and resorts. We recognize room revenue throughout the periods of stay. We do not consider that there is a material risk on “channel stuffing” or inventory accumulation in respect of our booking channels.

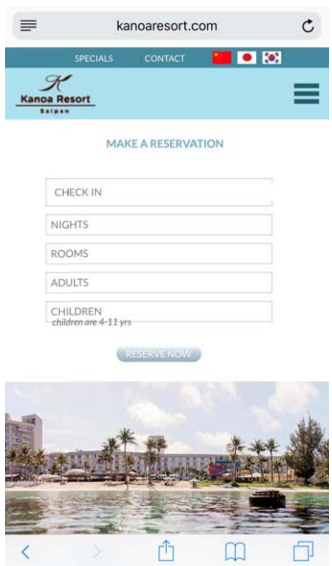
Marketing and guest engagement strategy

We implement marketing strategies to increase awareness and engagement across our hotels and resorts. The aim of these initiatives has been to drive increased traffic to our hotel and resort websites as well as our sales platforms across various channels, broaden our guest engagement and raise the aided and non-aided awareness of our hotel and resort portfolio. Initiatives launched as part of our marketing strategy include the following:-

Strategy	Media	Description
Social media integration	— TripAdvisor — Facebook — Twitter — WeChat — Instagram — YouTube	— Accommodation bookable direct from selected online portals such as TripAdvisor, the world's largest online traveler community — Dedicated Facebook page, Twitter account, and promotions on WeChat with regular updates
Booking channel marketing	— OTAs — Search engines	— Accommodation pricing is searchable on Google and other booking channels, including Agoda and booking.com — Cooperation with OTAs in co-organizing flash discounts and promotions.
Direct website development and management	— Individual hotel and resort desktop and mobile sites	— A promotional platform and information portal for our hotel and resorts
Celebrity engagement	— Traditional media such as television — Social media such as YouTube — Printed publications	— To sponsor various celebrity visits to our hotels & resorts, such as beauty pageants, photo and music-video shooting, as well as local tourism promotion. Targeted celebrities are Chinese and South Korean stars which align with our guest mix



A screenshot of our Fiesta Resort Saipan website



Our Kanoa Resort mobile site with direct booking function

With the growing prevalence of e-commerce in our key markets such as China, South Korea and Japan, we will focus our sales and marketing initiatives on raising our online presence and awareness, which we expect will also coincide with our corporate profile as a listed issuer on the Stock Exchange and the marketing needs of our upgraded accommodation and service offering upon completion of our asset rejuvenation plan. See "— Strategies on Future Business Development" above for further details.

Guest satisfaction

We continuously carry out guest satisfactory surveys that provide instant and real-time feedbacks to each of our hotels and resorts. We use guest feedbacks as a tool for both securing excellent service as well as input for the development of our offering. Our guest satisfaction level is high and has had a positive development over the years. The key drivers are service trainings, continuous investments in asset enhancement and maintenance and product development, elements that are all appreciated by our guests.

We also rely on online reviews to consistently improve our services through addressing the constructive feedbacks from our guests and reviewing the comments on online platforms, such as TripAdvisor, Facebook, Agoda, Booking.com and Ctrip. In addition, we also have a system of complaint policy in place with our dedicated team of customer relation service department to address any concerns of our guests as and when required. Customer reviews and complaints are reported to the management on a regular basis and used for staff training to avoid similar incidents in the future. We also check and monitor the qualities of our facilities and services in our hotels and resorts on a regular basis to ensure timely maintenance. Our Directors have confirmed that there were no material complaints on our hotels and resorts during the Track Record Period.

In the course of our hotel and resort operations, we also provide food and beverage services to our hotel guests. We strive to ensure food safety through our quality control policy and active interaction with our hotel guests. We source our food and beverage ingredients from reputable sources within the Western Pacific Region and conduct regular sample-checks against our food and beverage ingredients wholesalers. Our Directors have confirmed that there were no material incidents in relation to the food and beverage offering of our hotels and resorts during the Track Record Period.

OPERATING MODEL

The table below shows a summary of our operating model:-

Model summary	We self-operate and manage our hotels and resorts on leasehold property interests.
Ownership	Our hotels and resorts are operated on land parcels leased from local government entities or private property owners for a fixed term of 30 to 60 years. Under our land leases, the ownership of buildings and improvements on these leased land parcels rests with us during the term of the leases, and shall be returned to the landlords upon expiry, unless renewed.
Revenue/profit model	There is no revenue or profit sharing component. We collect customer revenue from accommodation and other self-operated services and facilities in our hotels and resorts such as restaurants, minibars and other amenities. We also receive rental income from third-party operated services and facilities which are run on concessions.
Costs	We bear the entire operating costs associated with our hotels and resorts. These include various capital expenditure and rental payment to our landlords, which are local government entities or private property owners. Rentals are calculated based on a pricing formula. During the Track Record Period, our rental costs remained stable.
Property capital expenditure	All capital expenditures, including repair and maintenance, on our hotels and resorts are borne by us.

We have made a strategic choice to focus our hotel and resort portfolio on long-term land leases at a stable rental level, which provide for a stable and predictable cost structure. Distinct from competing operating models such as management contracts and management letting rights, our operating model allows us to retain full control over maintenance, facility and service upgrade, thereby providing a beneficial setting for the long-term positive development of our hotels and resorts and for strong financial performance. Upon Listing, we plan to leverage our operating model and implement a US$56.7 million asset rejuvenation plan to overhaul our accommodation and service offering and strengthen the rate commanding power of our hotels and resorts in the long run. See "— Strategies on Future Business Development" above and "— Hotels and Resorts Development — Asset Rejuvenation Plan" below for details.

Although our operating model gives us full account for guest revenue, it also subjects us to the entire risks of running a hotel or resort, unlike other competing models which involves a third-party manager that we can share the risks with. We are also fully responsible for all repair, maintenance and capital expenditure. See "— Asset Management and Maintenance" below for our capital expenditure during the Track Record Period and "Risk Factors — Our leasehold operating model carries the risks associated with our hotel and resort operation and we are fully responsible for their maintenance and capital expenditures, which may adversely affect our cash flow and profitability" for the risks associated with our operating model.

Land lease renewal

The land leases of our hotels and resorts have a term of 30 to 60 years. The table below shows the remaining tenure of the land leases underlying our hotels and resorts:-

	Expiry
Fiesta Resort Saipan	June 30, 2021
Kanoa Resort	June 30, 2024
Century Hotel	July 10, 2042
Fiesta Resort Guam	September 30, 2053

Our *Fiesta Resort Saipan* is operated on land parcels leased from the local government which will expire on June 30, 2021. We are not the only hotel and resort operator in Saipan which is faced with this issue: 4 established hotels and resorts, including 2 main peers who are ranked as top-5 hotels and resorts in "Industry Overview — Competitive Landscape — Hotels and Resorts Industry — Saipan", also have underlying land leases expiring within the next 5 years and are negotiating with the local government.

On December 31, 2018, Acting CNMI Governor Victor B. Hocog signed into law Public Law 20-84 ("**PL 20-84**") which provides for an obligation and an authority for the CNMI government to negotiate for the extension of certain public land leases (including our *Fiesta Resort Saipan* and *Kanoa Resort* land leases) for a maximum term of 55 years without publishing a request for proposals and going through a public tender process. The renewal of the public land leases will be subject to formalities such as the publication of a public notice and a public hearing (where public comments are collected) as well as commercial negotiation on statutorily prescribed terms and conditions such as rental level, new improvements and upgrades (which we are confident that our asset rejuvenation plan will qualify) and public benefits and contributions (such as local employment, public facilities or infrastructure), all of which are common in the context of public land lease renewals in the CNMI and Guam. On the basis of the foregoing, our CNMI and Guam Legal Adviser has confirmed that, other than the formalities of public notice and hearing and commercial negotiations above, there is no legal impediment for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases. Pursuant to PL 20-84, we have commenced official communications with the CNMI government on the renewal of the land leases underlying both *Fiesta Resort Saipan* and *Kanoa Resort*. As of the Latest Practicable Date, we had submitted formal renewal proposals to the government for a term of 15 years or above at a rental level not materially adverse to our current rental expenses of around US$1.3 million per year. Negotiations are currently underway on commercial lease terms such as rentals, term, our commitment to the asset rejuvenation plan as well as logistics arrangements for the formalities prescribed in PL 20-84.

According to our CNMI and Guam Legal Adviser, while there is no requirement for the local government to obtain any environmental assessment or conduct any public consultation or discussion with various stakeholders, there remains a possibility that the local government may require us to address the concerns of indigenous, environmental and other stakeholders raised during the public hearing(s) of land lease renewal. Potential investors should carefully read "Risk Factors — The renewal of the land leases underlying Fiesta Resort Saipan and Kanoa Resort is subject to commercial negotiations with the CNMI government, which may impose on us materially onerous terms and conditions and require us to address the concerns of various stakeholders".

On the basis that (1) our leading market position in Saipan and the under-supply of holiday accommodation generally in Saipan, which makes us a sizeable contributor to Saipan's leisure tourism industry, local job market and economy, (2) the continuous government policies that encourage and incentivize the development and growth of leisure tourism, being the largest contributor to the CNMI's economy and gross domestic product, (3) our continuous conversation with the CNMI government, (4) our management, including Chairman Tan, Dr. Henry Tan (each a well-respected entrepreneur in Saipan with more than 30 years of track record of doing business on the island), Mr. Chiu and Mr. Jerry Tan (2003 Business Person of the Year in Saipan), maintains amicable relationship with the local government, has extensive local connections and has contributed to the CNMI economy and community with their various other business and public services ventures, (5) our commitment to asset rejuvenation plan is likely to qualify as the renewal condition of "new improvements and upgrades" under PL 20-84 and bring in higher-spending tourists in the up-market segment, (6) we continue to be committed to providing local employment opportunities and other public benefits and contribution to the CNMI community, (7) the enactment of PL 20-84, which provides for a clear statutory obligation, authority and basis for public land lease renewal without a public tender process, and (8) our CNMI and Guam Legal Adviser has confirmed to us that there is no legal impediment for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases, our Directors are cautiously optimistic that we will be able to secure without materially onerous terms the renewal of our *Fiesta Resort Saipan* land lease shortly after the Listing and *Kanoa Resort* land lease before the commencement of its asset rejuvenation plan in 2021, notwithstanding that there has not been past occurrence of hotel lease renewal in the CNMI due to its short history of tourism development of around 43 years (given that most major hotels and resorts in Saipan have a lease term of 50 years, *Fiesta Resort Saipan* and *Kanoa Resort* form the first wave of expiring hotel resort land leases in Saipan). The renewal of our *Kanoa Resort* land lease will also have the added benefits of the official negotiations which have already been underway and our experiences in negotiating for our *Fiesta Resort Saipan* land lease renewal and in addressing the government's and the public's concerns and comments. The Sole Sponsor concurs with our Directors' views above.

We will not commence our asset rejuvenation plan until we have secured the renewal of the relevant land leases. If we are unable to secure the renewal of our land leases, or that the renewal conditions are not commercially viable to us, we run the risks of losing a key source of revenue. Potential investors should carefully read "Risk Factors — We may not be able to renew the land leases on which we operate our hotels and resorts, in which case we will lose a significant portion of our revenue source.". The asset rejuvenation plan, and hence future growth, of our *Fiesta Resort Saipan* and *Kanoa Resort* is also contingent upon the successful renewal of their underlying lease.

SUPPLIES AND PROCUREMENT

As a hospitality provider, our key supplies in the day-to-day operations of our Hotels & Resorts Sector are utilities, linens, toiletries, food ingredients and miscellaneous hotel consumables. For the 3 financial years ended December 31, 2018, the purchases made under our Hotels & Resorts Sector amounted to US$13.9 million, US$15.0 million and US$15.0 million, respectively, representing 20.8%, 20.4% and 17.1% of our total operating costs during the Track Record Period. We source a number of supplies and services from our connected persons, which will constitute continuing connected transactions upon Listing. See "Continuing Connected Transactions" for details.

As a leading hotel and resort operator in Saipan and Guam, we often enjoy leverage to negotiate competitive and unique solutions from our suppliers across the value chain.

HOTELS AND RESORTS DEVELOPMENT

We built our market leading position with decades of continuous investments and improvements to align with travelers' preferences and local market demand.

Asset management and maintenance

Under our operating structure, we are fully responsible for the capital expenditure commitments and maintenance of our hotels and resorts. Managing and maintaining our hotel and resort portfolio is a key part of our operations. We actively consider opportunities to refurbish, upgrade and maintain our hotels and resorts in order to expand our revenue base in a cost-effective manner, enhance profitability and further improve our appeal to leisure travelers. Before commencement, we evaluate the projects against strict cost analysis and financial targets. We typically budget around 2% to 3% of the sector revenue of our Hotels & Resorts Sector on maintenance, such as room renovation and replacement of furniture, fixtures and equipment. The table below shows the room age of our hotels and resorts as of the Latest Practicable Date:-

	Fiesta Resort Saipan	***Kanoa Resort***	***Century Hotel***	***Fiesta Resort Guam***
	(no. of rooms)	*(no. of rooms)*	*(no. of rooms)*	*(no. of rooms)*
Room age (note)				
0 to 5 years	—	152	33	60
5 to 10 years	—	72	—	—
10 years or above	416	—	—	258
Total no. of rooms	**416**	**224**	**33**	**318**

Note: "Room age" is calculated based on the time since the last room renovation. For the purpose of this calculation, minor repairs and maintenance works that did not require room closure for more than 3 room nights are excluded.

As demonstrated above, 75.3% of our rooms were of 5 years of age or above and 68.0% of our rooms were 10 years old or above as of the Latest Practicable Date. At our *Kanoa Resort*, 152 rooms received renovation of limited scale in 2016, comprising wall repaint, replacement of carpet flooring with vinyl flooring, as well as replacement of shower and washroom faucets. A number of structural and configuration issues (such as the current room layout separating shower and washroom into 2 different space that is less attractive both in terms of guest experience and space utilization) remain unaddressed. At our *Fiesta Resort Guam*, room renovation in 2017 and 2018 were limited to 60 mountain view rooms only.

The table below shows the room renovation works we have undertaken throughout our operating history. For the purpose of this table, we have excluded minor repair and maintenance works that did not require room closure for more than 3 room nights.

Year	Details	No. of rooms renovated
Fiesta Resort Saipan		
2005	- Replacement of furniture and fixtures - Replacement of carpet flooring - Wall repaint - Plumbing works - Electric works - Fire alarm and sprinklers replacement - Ceiling repair - Air conditioning duct installation - Executive lounge renovation	416
Kanoa Resort		
2010	- Wall repaint - Replacement of carpet flooring	72
2016	- Wall repaint - Replacement of carpet with vinyl flooring - Replacement of shower and washroom faucet	152
Century Hotel		
2015	- Complete renovation of shower and washroom fixtures, faucet, flooring and facilities - Installation of white granite fixtures - Replacement of lighting fixtures	33

Year	Details	No. of rooms renovated
Fiesta Resort Guam		
2005	- Replacement of furniture and fixtures - Replacement of carpet flooring - Complete renovation of shower and washroom fixtures, faucet, flooring and facilities	318
2017	- Replacement of furniture and fixtures	12 (mountain view rooms)
2018	- Replacement of furniture and fixtures - Replacement of wall boards over beds - Replacement of bathroom ceiling, vanities, fixtures and mirrors - Rewrapping of insulation	48 (mountain view rooms)

The historical room renovation works set out above are of limited scale and were intended not to improve, but maintain our mid-market position within Saipan's and Guam's hotels and resorts industry. These renovation works have had limited effects in overhauling our overall guest experience. Based on our guest feedbacks, including those available in public online traveler communities such as TripAdvisor, a sizeable number of our negative comments relate to the "dated" conditions of our room and hospitality offering. It was against these backgrounds that we have decided to implement our asset rejuvenation plan discussed below, which will be of significantly larger scale both in terms of extent of works and amount of capital expenditure. For potential investors' reference, we only incurred around half of the estimated total capital expenditure on our asset rejuvenation plan of around US$56.7 million for our historical room renovation works from 2005 to date.

Facility and hospitality upgrades, such as construction, renovation and maintenance of pools, fitness facilities, and food and beverage outlets are also essential to our service offering, particularly so for our 3 full-service resorts. For the 3 financial years ended December 31, 2018, the amount of our hotels and resorts building improvements was US$0.8 million, US$0.2 million and US$0.2 million, respectively, representing 1.2%, 0.3% and 0.2% of our total operating costs during the same periods. In addition to our renovation, we also incurred regular repair and maintenance expense of US$1.0 million, US$1.2 million and US$0.7 million, respectively, for the 3 financial years ended December 31, 2018.

Our technical service and procurement functions across our hotel and resort portfolio are centralized to optimize our asset management and maintenance process. These functions enable us to further standardize our service level and satisfy the joint maintenance needs for our hotels and resorts from few suppliers and maintenance service providers.

Asset rejuvenation plan

We intend to invest in the long-term development of our hotels and resorts. Our Hotels & Resorts Sector is a direct customer-facing business where the quality of our accommodation and service offering is key to our operating performance and future financial growth. We intend to unlock the pricing potentials of

Fiesta Resort Saipan, *Kanoa Resort* and *Fiesta Resort Guam* and further align their appeal with the global traveler preferences for premium holiday experiences with a US$56.7 million asset rejuvenation plan jointly devised by our Executive Directors, senior management and an international architectural and hospitality consultancy firm.

Our asset rejuvenation plan coincides with the market conditions and competitive landscape in Saipan and Guam. The hotels and resorts industry in Saipan is characterized with regional players (such as ourselves) having a strong position against significant under-representation of international chained operators. Between 2018 and 2022, tourist arrivals in Saipan are projected by Frost & Sullivan to grow on a CAGR basis at 5.1%, which is expected to outpace the development of additional accommodation capacity on the island. Coupled with the rising tourism expenditure in key tourist origin markets like China, South Korea and Japan, increasing flight connections (with an expected 5.6% growth in available airline seats on a CAGR basis) as well as global tourist spending pattern, the hotels and resorts industry in Saipan is set to experience an over-demand and a growth in market rates. We believe that our asset rejuvenation plan will position well against these favorable industry backdrop. In Guam, our asset rejuvenation plan will also strengthen our competitive edge against the presence of a number of international branded market peers, which constantly gives us pricing pressure and intensifies competition.

From an operational perspective, the need for our asset rejuvenation plan is essential as we operated our hotels and resorts close to full capacity, recording an occupancy rate of 90.9% for the financial year ended December 31, 2018. With the exception of our *Fiesta Resort Saipan*, we also recorded a RGI below 1 during the Track Record Period, which means that our RevPAR was lower than the average of our main peers. To achieve our financial growth, we must be able to command higher room rates with upgraded accommodation and service offering. The details and estimated capital expenditure of our asset rejuvenation plan is currently expected to be as follows:-

Project	Details	Expected commencement date	Estimated duration	Estimated capital expenditures
Fiesta Resort Saipan				
Room refurbishment	— Renovation of guest rooms such as headboards, finishes and bathrooms — Upgrade of entertainment and key systems	Early 2020	9 to 15 months	US$22.3 million
Landscaping upgrade	— Upgrade of lighting, advertising lightboxes and technology — Enhancement of road-paving materials — Redesign of lobby, lounge, garden and swimming pool areas			
Hospitality enhancement	— Enhancement of capacity work-flow and food and beverage outlets — Upgrade of banquet and meeting space, pools and beach bar — Enhancement of back-of-house functions			
Kanoa Resort				
Room refurbishment	— Renovation of guest rooms such as headboards, finishes and bathrooms — Upgrade of entertainment and key systems — Rearrangement of bathroom and restroom layout	Early 2021	12 to 18 months	US$14.0 million

Project	Details	Expected commencement date	Estimated duration	Estimated capital expenditures
Landscaping upgrade	— Upgrade of lighting, advertising lightboxes and technology — Enhancement of visual connection with the pool deck and wider ocean view — Structural changes such as wall finishes, building layout and room layout			
Hospitality enhancement	— Replacement of existing pool facilities — Addition of an adult lounge with a new pool and pool bar amenities — Redesign of the family activity zone — Enhancement of back-of-house functions			
Fiesta Resort Guam				
Room refurbishment	— Upgrade of room categories with priority on ocean room — Refurbishment of fixtures, flooring, mirrors and roofs	Late 2019	12 to 18 months	US$20.4 million
Landscaping upgrade	— Upgrade of arrival approach with better lighting, materials and vegetation — Enhancement of restaurant access, lobby flooring and furniture			
Hospitality enhancement	— Enhancement of amenities such as lounge, spa, and pools — Upgrade of elevators, chillers and furniture — Enhancement of back-of-house functions			
Total capital expenditure				**US$56.7 million**

The future growth of our *Fiesta Resort Saipan* and *Kanoa Resort* is contingent upon our asset rejuvenation plan, which we will not commence until after the successful renewal of the underlying land leases. If we are unable to secure our leases renewal, or that the renewal conditions are not commercially viable to us, we run the risks of losing a key source of revenue. If we are unable to secure lease renewal prior to the expected commencement dates of our asset rejuvenation plan on *Fiesta Resort Saipan* and *Kanoa Resort*, we might have to delay our asset rejuvenation plan, in which case our short-term financial growth may be limited during periods of delay and we may not be able to actualize the potential operating and financial benefits in the manner and timeline we currently contemplate.

Our asset rejuvenation plan is capital-intensive and will be funded with the proceeds from the Global Offering, internal resources and external financing. The Global Offering will give us access to the necessary financing resources to invest in our future growth without long-term, recurring financing costs, particularly amidst the current rising interest rate environment in the world.

The table below shows our estimated capital expenditure and the implementation timeline of our asset rejuvenation plan:-

Hotel/resort	Estimated capital expenditure for the year ending December 31				Total estimated capital expenditure	Estimated capital expenditure to be funded with the net proceeds of the Global Offering[(1)]	
	2019	2020	2021	2022			
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*%[(2)]*
Fiesta Resort Saipan	—	17,817	4,454	—	22,271	11,780	52.9
Kanoa Resort.	—	—	9,357	4,678	14,035	7,075	50.4
Fiesta Resort Guam	8,147	12,221	—	—	20,368	10,700	52.5
Total.	8,147	30,038	13,811	4,678	56,674	29,555	52.1

Notes:

(1) The outstanding amount of estimated capital expenditure not otherwise funded with the net proceeds from the Global Offering will be funded with our internal financial resources and external financing.

(2) Percentage of total capital expenditure to be funded with net proceeds from the Global Offering is calculated assuming (1) an Offer Price of HK$4.01 per Share, being the mid-point of the indicative Offer Price range of HK$3.54 to HK$4.48 per Share, and (2) that the Over-Allotment Option is not exercised (without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options).

Our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* are priced, and currently operate, as mid-market players in Saipan and Guam. Particularly in Saipan, the mid-market segment is more competitive with around 10 peers having an ARR of US$80 per room night or above in 2017. We expect that our asset rejuvenation plan will strengthen their room rate commanding power and lift these properties towards the up-market segment with only 2 peers having an ARR of US$170 per room night or above in 2017. Subject always to market conditions, we currently estimate that our rejuvenated hotels and resorts will be able to command an ARR of around US$180, placing our *Fiesta Resort Saipan* and *Fiesta Resort Guam* within the average price range of the up-market segment in Saipan and Guam of US$170 per room night or above. Based on the detailed work plans of our asset rejuvenation plan and according to the extensive market knowledge and industry experiences of our Executive Directors, senior management and international architectural and hospitality consultant, our upgraded accommodation and service offering is commensurate with, if not superior to, the current up-market peers in Saipan and Guam. In coming up with our asset rejuvenation plan, our international architectural and hospitality consultant has also conducted guest reviews, site visits on other market peers and customer focus groups.

Due to the market nature and guest spending patterns of the up-market segment, we estimate that our rejuvenated hotels and resorts will experience a slight drop in occupancy rate to no less than 85%, subject always to market conditions. Nevertheless, according to our Industry Consultant and our Executive Directors and senior management, all of whom are well-vested in the hotels and resorts industry in Saipan and Guam, by international standards a 80% occupancy level is considered by many optimal, healthy and above-market in the global hospitality industry especially in the global up-market segment. A buffer in our occupancy level is also expected to give us operating flexibility to carry out the necessary contingent repair and maintenance works, provide "soft" service elements such as early check-in, late check-out and complimentary upgrades which are growingly common in the global up-market segment, and accept last-minute bookings from higher-spending guests such as professionals and businessmen. We expect that the continuous under-supply of leisure tourism accommodation in Saipan and the global traveler preference for premium holiday experiences will give us sufficient demand for our upgraded accommodation and service offering. We are confident that we will compete effectively in the up-market segment. See "— Strategies on Future Business Development" above for our basis.

We expect that our on-going operating costs upon completion of our asset rejuvenation plan will be higher to cover additional staff requirements, repair and maintenance, and upgraded bedding, linens and culinary options.

We consider that our asset rejuvenation plan will reach the investment payback point when our accumulated incremental net operating income of the relevant hotel and resort exceeds its total investment. Subject always to actual construction capital requirements, market environment and our operating performance, we estimate that our asset rejuvenation plan on *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* will reach investment payback in around 8, 7 and 6 years, respectively, and the growth in our ARR will outweigh the increase in our total operating costs. For the purpose of this financial projection, our Executive Directors, senior management and international architectural and hospitality consultant have taken into account the basis and assumptions set out in "Future Plans and Use of Proceeds — Basis and Assumptions" and assumed that upon completion (1) the ARR of our rejuvenated hotels and resorts will increase by around 23.2% to 30.4%, actualizing the room rate commanding power of our upgraded accommodation and service offering, (2) their occupancy rate will reduce slightly by around 3.3% to 7.0% due to the market nature and guest spending pattern in the up-market segment, and (3) their operating cost will increase by around 15.3% on average to cater to the additional staffing and service requirements. In turn, these basis and assumptions were derived from a financial model and cost-benefit analysis on our asset rejuvenation plan based on the industry experiences of the architectural and hospitality consultant, the operational performance of comparable renovation projects they have handled for market peers in other beach holiday destinations, as well as the market statistics, operational metrics and guest spending patterns in the up-market segment of Saipan and Guam. There is no assurance that our asset rejuvenation plan will achieve the operating and financial benefits that we currently contemplate for reasons beyond our control. Potential investors should carefully read "Risk Factors — We rely on our asset rejuvenation plan to achieve future financial growth given that our occupancy level, room age and asset quality have impaired our room rate commanding power. Our asset rejuvenation plan may not be able to drive our future growth in the manner we currently contemplate".

As we implement our asset rejuvenation plan, we will close down our rooms by stages for renovation. For the 1st half of 2020, we currently estimate that around 15% of our total available room nights will be closed for renovation. In any other given 6-month period until the end of 2021, around 3% to 10% of total room rights will be closed for renovation. We expect that the occupancy level of the relevant hotel and resort will reduce to no less than around 70% to 78% and no less than around 78% for our Group as a whole, resulting in a corresponding moderate decrease in our RevPAR. We expect to offset these negative operating impacts with the higher ARR we will be able to command for our renovated rooms that will be gradually recommissioned. While every effort will be made to minimize disruptions to our income level and ordinary operations, our occupancy level and hence RevPAR may be lower during periods of renovation due to noise and visual disturbance to our guests and partial closure of hospitality and other service facilities, which our Directors believe to be the industry norms when hotels undergo similar renovation exercises. Potential investors should carefully read "Risk Factors — We rely on our asset rejuvenation plan to achieve future financial growth given that our occupancy level, room age and asset quality have impaired our room rate commanding power. Our asset rejuvenation plan may not be able to drive our future growth in the manner we currently contemplate". Our asset rejuvenation plan will result in a write-off of our existing leasehold improvements in *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam* at the time of their respective commencement of renovation. As such, we expect to incur an one-off expense of US$3.6 million, US$1.3 million and US$1.8 million for the years ending December 31, 2019, 2020 and 2021, respectively. We also estimate an increase in annual depreciation upon completion of our asset rejuvenation plan. On the basis that (1) these estimated write-offs are expected to be on a comparable level to our historical depreciation on our renovation and leasehold improvements as a whole, (2) these estimated write-offs are expected to be immaterial against the total net carrying value of our property, plant and equipment as of December 31, 2018 (which amounted to US$38.2 million), and (3) these estimated write-offs are expected to be immaterial against the estimated total capital expenditure of our asset rejuvenation plan of around US$56.7 million, our Directors believe that our asset rejuvenation plan will not have a material impact on our financial performance and position as a whole.

New hotels and resorts development

To achieve long-term and sustainable growth in our Hotels & Resorts Sector, we may identify, evaluate, and approve new hotels and resorts development and acquisition opportunities to maintain the competitive position of our Hotels & Resorts Sector. We will evaluate such opportunities in a disciplined manner and will take into account certain criteria, including total return requirements with yields that are estimated to be above the cost of capital, geographical locations, strong fundamentals and growth potentials.

We have identified a land parcel within our *Fiesta Resort Saipan*, currently used as tennis courts, which can be suitable for the development of an annex tower of around 140 rooms grossing a GFA of around 6,300 sq.m. for additional accommodation capacity and hospitality facilities. We may also look for opportunities to lease suitable land parcels within Saipan's tourism center of Garapan to develop a standalone boutique hotel, which has the advantage of lower rental costs compared to a beachfront location and may share the hospitality facilities of our *Fiesta Resort Saipan*. As of the Latest Practicable Date, we had not carried out any concrete feasibility study on possible new hotel and resort development. Any such development will only take place if our Directors are satisfied that, among others, the continuous development of the leisure tourism market in Saipan and/or Guam justifies additional capacity.

If we choose to acquire a hotel or resort, we will take into account various criteria, such as acquisition price and related ask price and due diligence costs, financial results and performance of the target property (including amount of cash, occupancy rate, ARR, RevPAR, intangible asset and other fixed asset, debts and liabilities), location and distance to tourism center, grading, guest feedback and service level of the target property, synergic and complementary effects on our existing hotels and resorts, guest base of the target property (including any key sales contracts and number of long-term OTAs and tour operators), as well as the overall market conditions in Saipan and/or Guam. Throughout our operating history, we have grown by a combination of acquisitions and organic growth. We thus have experiences in managing and integrating acquisitions into our operations. We currently consider that a suitable target would have an occupancy rate of over 80% and an ARR of over US$150 per room night. As of the Latest Practicable Date, we had not identified any suitable target.

Construction or acquisition of any new hotels and resorts are expected to be funded with our internal resources, and will be subject to prevailing market conditions and the continuous development of Saipan and/or Guam as leisure tourism destinations. The construction or acquisition of any new hotels and resorts of any hotels or resorts could have a material impact on our business, results of operations and financial condition. The construction or acquisition of one or more of these hotels and resorts could result in significant increase in revenue and operating expenses, which would affect our profitability. The impact on our financial information will also depend on whether the construction or acquisition is funded with cash from operations, debt, or a combination of the above.

B. LUXURY TRAVEL RETAIL SECTOR

Our Luxury Travel Retail Sector carries a suite of 9 world-renowned brands across 18 boutiques in Guam, Saipan and Hawaii, offering leisure travelers a diversified choice from luxury clothing, leather goods to fashion accessories. We operate our Luxury Travel Retail Sector under franchise and distribution agreements with brand owners to source merchandises against specific operational, service and design requirements, and our boutiques are located on leased premises. In terms of number of boutiques and number of brands offering in 2017, we are one of the leading travel retail groups in Guam and Saipan.

Luxury travel retail is distinct from traditional "high-street" shopping that leisure travelers are usually more inclined to shop and buy at a holiday destination in a relaxed setting. We also benefit from the growing spending power of our customers, who are holiday-makers mainly from China and South Korea. The travel retail markets in Guam and Saipan have been growing over the past few years and each location has a distinct market landscape. Guam enjoys a long history and reputation being a "shoppers' paradise" with a zero import duty and GST policy and also a sizeable presence of U.S. military and their family members who are often prone to shop off-duty. Saipan is still in its early stage of development as a shopping destination and we have identified only one meaningful competitor in the luxury travel retail market. Riding on the growing leisure tourism market in Guam and Saipan, our Luxury Travel Retail Sector has been generating consistently high turnover recording a revenue of US$13.9 million, US$17.5 million and US$29.0 million, respectively, for the 3 financial years ended December 31, 2018. Our Luxury Travel Retail Sector is our second largest source of revenue, contributing to on average 22.3% of our total revenue during the Track Record Period.

We began the operations of our Luxury Travel Retail Sector in Guam in 2014 and ventured into the Saipan travel retail market in August 2016, where we benefit from an early mover advantage and the established presence and tourist-drawing power of our Hotels & Resorts and Destination Services Sectors. Hawaii is the latest addition to our geographical footprints in April 2018, when we were offered an opportunity to take up the retail business under an American accessories brand. While Hawaii is an established shopping destination with a mature competitive landscape, several brands we offer in Guam and Saipan are yet to be available in Hawaii. With our established relationship with these brands, we will explore future opportunities to expand our travel retail business and boutique networks in Hawaii.

BOUTIQUE OVERVIEW

We operated 8 boutiques in Guam, 5 in Saipan and 5 in Hawaii as of the Latest Practicable Date, all strategically located in the tourism centers of Tumon Bay, Garapan and Honolulu, giving us a concentration of leisure travelers across different accommodation facilities and high customer traffic. The table below gives an overview of our boutiques by destinations as of the Latest Practicable Date:-

Destination	**Guam**	**Saipan**	**Hawaii**
Location	Shopping complexes within the tourism center of Tumon Bay: — The Plaza — Tumon Sands Plaza — Micronesia Mall	A shopping complex within the tourism center of Garapan: — The ARC	Various locations in Honolulu
Boutiques *(no.)*	8	5	5
Exclusive brands (*no.*)[(1)]	3	4	*nil*
Non-exclusive brands *(no.)*[(1)]	5[(2)]	1	1
Average GFA per boutique *(sq.m.)*	115	112	119

Note:

(1) "Exclusive brands" mean brands for which we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Saipan, Guam and/or Hawaii.

(2) We entered into a franchise and distribution agreement with a Brand I, a French luxury fashion brand, in January 2019 in respect of Guam. An additional boutique is expected to be launched in Guam in mid to late 2019.

KEY OPERATING METRICS

Turnover and profitability

During the Track Record Period, the travel retail markets in Saipan and Guam have benefited from growing tourist arrivals and rising per traveler expenditure, with Chinese and South Korean showing particularly strong spending power. For the financial year ended December 31, 2018, we recorded a per transaction expenditure of US$364.6 and US$913.1, respectively, in Guam and Saipan.

The dynamic travel retail landscape has translated into consistently growing turnover in our Luxury Travel Retail Sector. The table below shows the revenue contribution of our boutiques during the Track Record Period:-

		For the financial year ended December 31					
Boutique	**Brand**	**2016**		**2017**		**2018**	
		(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Guam							
The Plaza Boutique 1	A	—	—	2,421	13.8	4,531	15.6
The Plaza Boutique 2	F	1,137	8.2	1,047	6.0	883	3.0
The Plaza Boutique 3	G	—	—	—	—	930	3.2
The Plaza Boutique 4	H	1,447	10.4	1,116	6.4	1,122	3.9
Tumon Sands Boutique 1	A	4,531	32.7	2,699	15.4	2,168	7.5
Tumon Sands Boutique 2	C	2,279	16.4	2,142	12.2	1,762	6.1
Tumon Sands Boutique 3	D	2,308	16.6	2,212	12.6	2,335	8.1
Micronesia Mall Boutique 4	E	916	6.6	768	4.4	762	2.6
Guam sub-total		***12,618***	***90.9***	***12,405***	***70.8***	***14,493***	***50.0***
Saipan							
The ARC Boutique 1	A	—	—	1,062	6.1	2,118	7.3
The ARC Boutique 2	B	—	—	1,408	8.1	2,561	8.8
The ARC Boutique 3	D	—	—	840	4.8	1,259	4.3
The ARC Boutique 4	C	—	—	189	1.1	1,524	5.3
Saipan sub-total		**—**	**—**	***3,499***	***20.1***	***7,462***	***25.7***

Boutique	Brand	For the financial year ended December 31					
		2016		2017		2018	
		(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Hawaii							
Honolulu Boutique 1	F	—	—	—	—	1,175	4.0
Honolulu Boutique 2	F	—	—	—	—	1,712	5.9
Honolulu Boutique 3	F	—	—	—	—	1,205	4.2
Honolulu Boutique 4	F	—	—	—	—	915	3.2
Honolulu Boutique 5	F	—	—	—	—	459	1.6
Hawaii sub-total		**—**	**—**	**—**	**—**	***5,466***	***18.9***
Closed boutiques[(1)]		**872**	**6.3**	**983**	**5.6**	**281**	**1.0**
Pop-up boutiques[(2)]		**383**	**2.8**	**601**	**3.5**	**1,277**	**4.4**
Luxury Travel Retail Sector total		**13,873**	**100.0**	**17,488**	**100.0**	**28,979**	**100.0**

Notes:

(1) Closed boutiques include 4 brands we previously operated under, in Guam and Saipan during the Track Record Period. See "— Brand Turnover" below.

(2) Pop-up boutiques are typically open for business for less than 9 months during the Track Record Period to capture peak season traffic and raise market awareness for the relevant brands.

Operating statistics

We measure the performance of our boutiques by number of transactions and per transaction spending. Number of transactions records the total number of transactions at our boutiques during a given period. Per transaction spending is calculated by the total revenue of our boutiques divided by number of transactions, which indicates the average transaction value during a given period. The table below shows the customer traffic, and per customer spending of our boutiques by destination:-

	For the financial year ended December 31		
	2016	2017	2018
Number of transactions *(no.)*			
Guam	36,578	32,035	39,757
Saipan	—	3,740	8,173
Hawaii	—	—	69,820
Luxury Travel Retail Sector total	**36,578**	**35,775**	**117,750**
Per transaction spending (*US$*)			
Guam	345.0	387.2	364.6
Saipan	—	935.6	913.1
Hawaii	—	—	78.3
Luxury Travel Retail Sector average	**345.0**	**444.6**	**232.9**

Note: The calculation above excludes closed boutiques and pop-up boutiques.

During the Track Record Period, we in general achieved growth in our number of transactions and per transaction spending in Guam and Saipan, in line with (1) the positive development in tourist arrivals and per traveler expenditure in these destinations during the same periods, and (2) the number of boutiques we operate. The performance of our Hawaii boutiques, the latest addition to our travel retail profile, is still within its ramp-up period but has shown positive operating results riding on their existing market penetration under their former operator. The per transaction spending we recorded in Hawaii is generally lower than its Guam and Saipan counterparts due to the pricing level and market positioning of the American leisure accessories brand we offer in Hawaii.

BRAND OFFERING

Overview

We strategically select our suite of brands that are world-renowned and of international recognition among our key tourist origin markets such as China and South Korea. We generally have an established business relationship with brand owners with most of them having on average around 3 years of track record as of the Latest Practicable Date with us. With reference to market trends, product offering, targeted customers and competitive landscape, we have carefully selected the following 9 brands offering plentiful choice of luxurious and leisure clothing, leather goods and fashion accessories for leisure travelers in Guam, Saipan and Hawaii:-

Brand	Background	Year(s) of business relationship	Available location	Exclusivity[(1)]	Number of boutiques	Expiry date
Brand A . .	A French luxury fashion house offering women's and men's ready-to-wear, bags, shoes, accessories, eyewear and fragrance for women	4[(2)]	Guam	Yes	2	1. January 31, 2019[(3)] 2. January 31, 2022
			Saipan	Yes	1	January 31, 2022
Brand B . .	An Italian luxury good and high fashion brand offering women's and men's leather goods, ready-to-wear, shoes, jewelry, furniture and more	4	Saipan	Yes	1	December 31, 2021
Brand C . .	A French luxury fashion house offering women's bags, accessories, shoes, as well as ready-to-wear	4[(2)]	Guam	No	1	December 31, 2022
			Saipan	No	1	July 31, 2022
Brand D . .	A French luxury and perfume house offering women's and men's ready-to-wear, bags, shoes and accessories	4[(2)]	Guam	Yes	1	December 31, 2021
			Saipan	Yes	1	December 31, 2021
Brand E . .	A French clothing company offering clothing, footwear, eyewear, leather goods, perfume, towels and watches	4[(2)]	Guam	Yes	1	Renewable yearly
Brand F . .	An American handbag, luggage and accessories company	3	Guam	No	1	December 31, 2020
			Hawaii	No	5	December 31, 2022
Brand G . .	A French leather goods company specializing in women's bags and accessories and also offering a wide range of women's and men's leather and canvas goods.	3	Guam	No	1	December 31, 2022
Brand H . .	An American designer brand offering women's, men's and kids' bags, accessories, eyewear, watches, fragrances, shoes and ready-to-wear	4[(2)]	Guam	No	1	December 31, 2021

Brand	Background	Year(s) of business relationship	Available location	Exclusivity(1)	Number of boutiques	Expiry date
Brand I . . .	A French luxury fashion house founded by a Japanese designer known for utilizing Asian and Japanese concepts	Less than 1	Saipan	Yes	1	January 31, 2024
			Guam	No	1 boutique to be launched in mid to late 2019	July 31, 2024

Notes:

(1) "Exclusivity" means brands for which we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Guam, Saipan and/or Hawaii.

(2) These brands have had a long-standing relationship with Gemkell Guam (a wholly-owned subsidiary). The figures above show the years of relationships since our acquisition of a 75% interest in Gemkell Guam in August 2014.

(3) Brand A has confirmed to us their intention to formally execute a renewed franchise and distribution agreement pending their internal formalities. As of the Latest Practicable Date, the renewed franchise and distribution agreement had not been formally executed. In the meantime, we have received approval to continue operating the Brand A boutique under the terms and conditions of the existing franchise and distribution agreement.

The table below shows the sector revenue of our Luxury Travel Retail Sector by brands during the Track Record Period:-

	For the financial year ended December 31					
Brand	**2016**		**2017**		**2018**	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Brand A	4,531	32.7	6,182	35.3	8,817	30.4
Brand B	—	—	1,408	8.1	2,561	8.8
Brand C	2,279	16.4	2,331	13.3	3,286	11.4
Brand D	2,308	16.6	3,052	17.4	3,594	12.4
Brand E	916	6.6	768	4.4	762	2.6
Brand F	1,137	8.2	1,047	6.0	6,349	21.9
Brand G	—	—	—	—	930	3.2
Brand H	1,447	10.4	1,116	6.4	1,122	3.9
Others(note)	1,255	9.1	1,584	9.1	1,558	5.4
Luxury Travel Retail Sector total	**13,873**	**100.0**	**17,488**	**100.0**	**28,979**	**100.0**

Note: "Others" refers to pop-up boutiques and closed boutiques.

The table below shows the year-to-year revenue growth rate of our brands:-

Revenue growth rate (%)	For the financial year ended December 31	
	2017	2018
Brand A	36.4	42.6
Brand B	—	81.9
Brand C	2.3	41.0
Brand D	32.2	17.8
Brand E	-16.2	-0.8
Brand F	-7.9	506.4
Brand G	—	—
Brand H	-22.9	0.5

See "Financial Information — Description and Management Discussion and Analysis of Selected Items in Consolidated Statements of Comprehensive Income — Revenue — Luxury Travel Retail Section" for a commentary on our revenue growth rates by brands.

Brand turnover

We are generally on good terms with our brand owners. During the Track Record Period, we added 6 brands to our collection and discontinued our relationship with 4 brands based on the market demand for these brands and the operating performance of the relevant boutiques. According to our Directors and management, the type, style and tailoring of the relevant merchandise, which are generally targeted towards Western customers, did not align with the trends and preferences for leisure travelers in the Western Pacific Region that are mainly originated from China, South Korea and Japan. The discontinuation of these arrangements has allowed us to focus our management and operating resources to our current collection of 9 brands which we consider to be generally more profitable.

In December 2018, we entered into a franchise and distribution agreement with Brand I, a French luxury fashion house founded by a Japanese designer known for utilizing Asian and Japanese concepts, and launched a standalone boutique under this brand in April 2019 in Saipan. An additional boutique is expected to be launched under the same brand in Guam in mid to late 2019.

The table below shows the turnover of our brand offering during the Track Record Period:-

Brand	In the financial year ended December 31			From January 1, 2019 to the Latest Practicable Date
	2016	2017	2018	
In the beginning of year/period	***7***	***8***	***8***	***9***
Addition during the year/period	3	1	2	—
Cessation during the year/period	2	1	1	—
As of the end of the year/period	**8**	**8**	**9**	**9**

We continuously look for new brands which we consider attractive for leisure travelers in Saipan and Guam, and our management consistently negotiates with potential brand owners on terms we can co-operate on. We maintain stable business relationship with our brand owners and stable additions of brands during the Track Record Period. From time to time we review the business performance of our existing brands. See "— Travel Retail Operations — Boutique Development" below for further details.

Exclusivity

Exclusivity is a key component of our brand offering of as it lessens competition and enhances pricing and promotion flexibility. Especially for luxury goods (which we focus on), leisure travelers tend to have a preferred brand of choice when they shop for clothing and accessories on vacation. Exclusive brands also give us "cluster" effects to draw customer traffic to our adjacent, non-exclusive boutiques. As of the Latest Practicable Date, we had a collection of 5 brands that were exclusive, i.e. we are the only retail operator that sells and markets the relevant brand on a franchised boutique store model in Guam, Saipan and/or Hawaii.

Exclusivity mix is an indicator showing the percentage of retail revenue we generate from our exclusive brands. The table below shows the exclusivity mix of our Luxury Travel Retail Sector during the Track Record Period:-

	For the financial year ended December 31		
	2016	**2017**	**2018**
Exclusivity mix (%)			
Guam	56.9	60.1	62.2
Saipan	0.0	82.6	76.7
Hawaii	—	—	0.0
Luxury Travel Retail Sector average	**55.9**	**65.2**	**54.3**

Procurement

We operate our Luxury Travel Retail Sector on long-term franchise and distribution agreements with brand owners to source merchandises against specific operational, service and design requirements. Our franchise and distribution agreements in general have a term of 4 years or above, which provides for a sufficient ramp-up period to recuperate our initial set-up costs. We enter into separate franchise and distribution agreements with the same brand owner for each geographical region we have presence in. As of the Latest Practicable Date, we had 15 franchise and distribution agreements in place covering 9 brands. The table below shows the key salient terms of our franchise and distribution agreements with our brand owners:-

Duration	4 to 5 years in general, other than Brand E (renewed annually).
Minimum purchase amount and purchase target	All brands specify a minimum purchase amount or purchase target during a given period. In the event that we are unable to meet the minimum purchase amount or a prescribed percentage of purchase target, the brand owner is entitled to terminate the franchise and distribution agreement or not to renew the franchise and distribution agreement upon expiry. During the Track Record Period, we did not encounter any material difficulty in meeting the minimum purchase amount or purchase target.
Royalty and franchise fee	2 out of 9 brands require us to, on top of procurement costs, pay a royalty/franchise fee of 5% (calculated based on the aggregate purchase amount over a given period).
Number of boutiques	All brands require us to launch 1 to 2 boutiques at specific location(s). In the event that we are unable to launch, or maintain, the prescribed number of boutiques, the brand owner is entitled to terminate the franchise and distribution agreement or not to renew franchise and distribution agreement upon expiry. During the Track Record Period, we did not encounter any material difficulty in launching the prescribed number of boutiques.
Retail price	Brand owners specify recommended retail prices or pricing guidelines to calculate our retail prices. Brand owners are entitled to adjust their recommended retail prices or pricing guidelines.

Promotion and advertising	6 out of 9 brands require us to spend or pay to the brand owner a 2% to 20% (calculated based on (1) the aggregate price of minimum purchase amount, (2) our aggregate purchase amount of a given period, or (3) the net retail sales of a given period) as our contribution to the brands' global and/or local advertising, marketing and/or promotional initiatives. 2 out of 9 brands give us a rebate or reimbursement of 1.5% to 25% (calculated based on (1) the net retail sales of a given period, (2) our net purchase amount of a given period or (3) the prescribed advertising amount), upon our satisfaction of the contribution above.
Payment and credit terms	All brands require us to make full payment upon product delivery. Payments are generally settled in US$.
Return and repurchase policy	7 out of 9 brands give the brand owners the right but not obligation to repurchase unsold merchandises upon termination. If these merchandises are not repurchased by the brand owners, we may be entitled to sell these "out-season" merchandises at a discount to the recommended retail prices or pricing guidelines.
Intellectual property	We are licensed to use the brand names in connection with the sales, promotion, marketing, advertising and distribution of our merchandises, provided that we comply with the intellectual property guidelines prescribed by the brand owners.
Delivery and shipping	5 out of 9 brands require us to bear the costs of product delivery and shipping to our warehouses. The remaining brands take up the relevant costs.
Location, design and refurbishment	8 out of 9 brands stipulated specific boutique location in the agreements. These brands have a right to early terminate the franchise and distribution agreement if we fail to operate or maintain the boutiques at the authorized locations. Boutiques must be designed, furnished, equipped and merchandised in accordance with the brands' design guidelines. There are also specific operating and service requirements, such as music played at a boutique and staffing ratio.
Termination	All brand owners are entitled to terminate the franchise and distribution agreements with a notice period of nil to 60 days upon an event of default.
Restrictive covenants	3 out of 9 brands require us to inform and seek consent from the relevant brand owners if we plan to supply (or actually supply) any merchandises which compete with those which we are authorized to distribute pursuant to the relevant franchise and distribution agreements. However, most of the brands do not exhaustively specify their respective competing brands. Due to the number of brands in the luxury and fashion industry, whether certain merchandises are considered to be potentially competitive with the then existing brands distributed by us will practically be determined on a case-by-case basis. As a matter of practice to ensure compliance with existing franchise and distribution agreements, we would consult the existing brand owners at an early stage if we intend to launch a new boutique of a potentially competitive brand and seek their view on their perception of the competitiveness of the merchandises concerned. If any potential new boutique is considered to be competitive by our existing brand owners, we would adhere to the prescribed procedures and proceed to seek consent. The territorial scope of such requirements differs with each individual brand. During the Track Record Period, we did not encounter any material difficulty in complying with these covenants.

During the Track Record Period, none of the franchise and distribution agreements was terminated due to an event of default or a breach of contract terms on the part of the brand owners or us, nor had we received any material complaints from brand owners in respect of our franchise and distribution agreements. In signing up a new brand, we have internal policies in place to assess its merchandise offering, background and competitive landscape to ensure our compliance with all existing franchise and distribution agreements. Prior to entering into a new franchise and distribution agreement, we would first ascertain any potential conflict or competition with our existing brand collection. If a possible conflict or competition is identified, we would consult external legal advisers to examine our franchise and distribution agreements, consult our existing brand owners, and seek the necessary consents. We generally consult existing brand owners prior to launching new boutiques.

We believe that our current boutiques are generally performing well operationally and financially, and have every intention to renew the relevant franchise and distribution agreements upon expiry. As of the Latest Practicable Date, we had 15 franchise and distribution agreements. The table below shows the expiry profile of our franchise and distribution agreements as of the Latest Practicable Date:-

Expiry Date	**Expiring franchise and distribution agreements *(no.)***
By 2019	2(note)
By 2020	1
By 2021	4
By 2022 or beyond	8

Note: Brand A has confirmed to us their intention to formally execute a renewed franchise and distribution agreement pending their internal formalities. As of the Latest Practicable Date, the renewed franchise and distribution agreement had not been formally executed. In the meantime, we have received approval to continue operating the Brand A boutique under the terms and conditions of the existing franchise and distribution agreement.

We are currently negotiating with the relevant brand owner to formally renew the 2 franchises and distribution agreements that are expiring in 2019. Due to the pricing nature of luxury clothing and fashion accessories and our merchandising practice where we procure generally twice a year to stock up inventory for an entire season, some of our brand owners are the key suppliers of our Group as a whole across 3 business sectors. See "— Key Customers and Suppliers" below for details.

TRAVEL RETAIL OPERATIONS

Location

Location is key to the success of a travel retail business as leisure travelers tend to "cluster" in a tourism center either adjacent to infrastructure such as hotels, resorts, restaurants and entertainment options, or close to key tourist attractions. Most of our boutiques are located in or close to the key tourism centers of Tumon Bay (Guam), Garapan (Saipan) and Honolulu (Hawaii), and within popular shopping malls which allow us to ride on the traveler drawing power of these locations and also our competing brands' retail locations.

Boutiques

We operated 8 boutiques in Guam, 5 in Saipan and 5 in Honolulu, Hawaii as of the Latest Practicable Date. Contrary to the competing store-in-store model with an open-plan setup, our boutiques are each a standalone, "concept store" housing a single brand, offering travelers genuine shopping experiences where the choice of merchandises is often enhanced by seasonal or travel retail exclusive merchandises.

The table below gives an overview of our boutiques as of the Latest Practicable Date:-

Boutique	GFA *(sq.m.)*	Brand	Commencement of operation	Lease expiry	Market position
Guam					
The Plaza Boutique 1	92.9	A	May 2017	August 31, 2019	Luxury fashion clothing and accessories
The Plaza Boutique 2	185.8	F	January 2016	September 30, 2020	Leisure accessories
The Plaza Boutique 3	49.8	G	January 2018	September 30, 2020	Luxury accessories
The Plaza Boutique 4	106.8	H	April 2018	June 30, 2020	Luxury fashion clothing and accessories
Tumon Sands Boutique 1	119.8	A	June 2012	Automatic renewal on a monthly basis(1)	Luxury fashion clothing and accessories
Tumon Sands Boutique 2	86.3	C	December 2006	December 31, 2021	Luxury fashion clothing and accessories
Tumon Sands Boutique 3	167.9	D	September 2013	December 31, 2021	Luxury fashion clothing and accessories
Micronesia Mall Boutique	111.5	E	April 2007	August 31, 2020	Sport clothing and accessories
Saipan					
The ARC Boutique 1	105.4	A	May 2017	October 31, 2023	Luxury fashion clothing and accessories
The ARC Boutique 2	132.7	C	November 2017	October 31, 2023	Luxury fashion clothing and accessories
The ARC Boutique 3	105.4	D	May 2017	October 31, 2023	Luxury fashion clothing and accessories
The ARC Boutique 4	105.4	B	May 2017	October 31, 2023	Luxury accessories
The ARC Boutique 5	105.9	I	April 2019	October 31, 2023	Luxury fashion clothing and accessories
Hawaii					
Honolulu Boutique 1	210.4	F	April 2018	November 30, 2022	Leisure accessories
Honolulu Boutique 2	103.5	F	April 2018	July 31, 2020	Leisure accessories
Honolulu Boutique 3	92.9	F	April 2018	May 31, 2019(2)	Leisure accessories
Honolulu Boutique 4	79.4	F	April 2018	May 31, 2019(2)	Leisure accessories
Honolulu Boutique 5	111.5	F	April 2018	June 30, 2020	Leisure accessories

Notes:

(1) Our lease for Tumon Sands Boutique 1 expired on December 31, 2018. The landlord and we have acknowledged our mutual intention to renew the lease for a further 3-year term pending the formal execution of a new long-term lease. In the meantime, we have received approval to continue operating Tumon Sands Boutique 1 on a monthly renewal basis.

(2) We are exploring the renewal of the leases underlying these boutiques, which will expire on May 31, 2019, with the relevant parties.

Our boutiques are staffed with sales representatives with sufficient knowledge and understanding of our merchandises. We endeavor to maintain a high staff-to-customer ratio. We conduct regular training with our sales representatives to ensure consistent service offering in line with the global standards set by the brand owners. We offer an incentive sales commission scheme to incentivize our frontline sales representatives. During the Track Record Period, we typically paid out 1% to 2% of customer sales receipts as sales commission.

Boutique turnover

During the Track Record Period, we launched 14 boutiques, and closed 5. When we launch a new boutique, we look at location, GFA, rental level and lease terms, as well as the estimated appeal of and demand for our brand of choice against the demographics and preferences of the leisure travelers in our destinations. We also compare our new boutiques against the brand and boutique portfolio of our own and our main peers' to avoid undue competition and to comply with the restrictive covenants under our franchise and distribution agreements with existing brand owners. When we decide on the closure of a boutique, we evaluate its operating and financial performance against our internal financial targets, as well as the contractual minimum purchase amount or purchase target under the franchise and distribution agreement.

In April 2019, we launched a new boutique under a French luxury fashion brand (which we signed a franchise and distribution agreement with in December 2018). An additional boutique is expected to be launched under the same brand in Guam in mid to late 2019.

The table below shows the changes in the number of boutiques during the Track Record Period and up to the Latest Practicable Date:-

No. of boutiques[note]	For the financial year ended December 31 2016	2017	2018	From January 1, 2019 to the Latest Practicable Date
In the beginning of year/period	7	8	12	17
Addition during the year/period	3	5	6	1
Cessation during the year/period	2	1	1	0
As of the end of the year/period	**8**	**12**	**17**	**18**

Note: "No. of boutiques" excludes pop-up boutiques that were typically open for business for less than 9 months during the Track Record Period.

Boutique development

Our merchandises must be procured at specified wholesale prices and are generally sold at recommended retail prices or pricing guidelines provided by the brand owners. Our Luxury Travel Retail Sector is thus principally driven by sales volume. To attain future growth, we must expand our boutique network.

Our new boutique is expected to share the geographical advantage of our existing ones and located in the same shopping complexes. The table below shows the details of our new boutique development plan as of the Latest Practicable Date:-

Location	GFA	Brand	Market position	Expected opening date
	(sq.m.)			
Guam	Lease agreements to be negotiated	I	Luxurious fashion clothing and accessories	Mid to late 2019

We expect that launching a new boutique in Guam will require capital expenditure in the range of around US$850,000 and a monthly operating expense of around US$50,000 to US$70,000 which include rental expenses, personnel costs, inventory costs and other miscellaneous outgoings such as marketing expenses.

Breakeven and return on investment

A boutique achieves a breakeven point when the monthly revenue is at least equal to its monthly expenses. Based on our experience during the Track Record Period, a boutique usually requires around 2 months to reach the breakeven point.

The investment payback period for a boutique is the average time it takes for the accumulated net profit from the commencement of operations to cover the costs incurred in setting up its operations, including capital expenditure, on-going cash and non-cash operating expenses, but excluding rental deposits which would be returned to us upon expiry of the lease agreement. Based on our experience during the Track Record Period, a boutique usually requires around 24 months to reach investment payback point from their commencement of operations.

The investment payback period of each boutique varies, depending on market conditions, location, brand and merchandise offering, etc. As the travel retail market in Guam, Saipan and Hawaii continues to grow with the support of rising tourist arrivals and per traveler expenditure, we expect that the breakeven and investment payback period of our new boutiques will be similar to those of our existing ones.

Operating model

In line with the travel retail industry in Guam, Saipan and Hawaii, our boutiques are operated on leased premises. The table below shows a summary of our operating model:-

Model summary	We lease retail premises from third-party or connected landlords. All of our boutiques in Saipan operate on premises leased from our connected persons. See "Continuing Connected Transactions" for details.
Costs	We pay our landlords a monthly rental (calculated based on factors including (1) size of the rental premises, and (2) our gross or net sales made during the relevant month). Our current annual rental level across our boutiques is around US$3.3 million in 2018. Other outgoings are principally utilities, procurement costs, royalties, franchise payments, staff costs and marketing contribution payable to the brand owners
Property capital expenditure	All capital expenditure, including refurbishment and maintenance, within our boutiques, less any reimbursement from the respective brand owners which might be provided under the franchise and distribution agreements, are borne by us.
Term	The term of our leases with landlords is typically 5 years. The term of our franchise and distribution agreements with our brand owners are usually 4 to 5 years.

Our operating model gives us the flexibility to evaluate our operating and financial performance of each travel retail boutique before committing to a long-term retail operation.

We decide on lease renewal against the operating and financial performance of the boutiques, renewal terms, availability of alternative sites, as well as the expiry profile and commercial terms of the relevant franchise and distribution agreements.

Pricing and marketing

Our pricing strategy is driven by the global sales marketing policy of the brand owners. Under our franchise and distribution agreements, merchandises must be procured at prescribed wholesale prices and sold generally at recommended retail prices or pricing guidelines as stipulated by the brand owners from time to time. Our Luxury Travel Retail Sector thus has a relatively stable margin and is driven principally by sales volume.

We initiate sales and promotional campaigns in line with the seasonal pattern of the leisure tourism market in general, for example, during the holiday seasons of Thanksgiving, Christmas and New Year.

We generate customer traffic by offering a sales commission to tour guides who bring their guests to our boutiques. For the financial year ended December 31, 2018, we incurred commission expense of US$0.2 million, which was paid out based on 10% of customer sales receipts in our Luxury Travel Sector. We also offer discount to the guests staying at large-scaled hotels and resorts, including our own hotels and resorts.

Warehousing and inventory management

We maintain 1 warehousing unit in each of Guam, Saipan and Hawaii. Our warehousing units are equipped with air conditioning, ventilation and surveillance systems to store our merchandises, especially luxury leather merchandises, in good conditions and against fire safety and theft. During the Track Record Period, we did not write off any merchandise due to product loss or storage conditioning issues.

Our merchandises, particularly luxury goods, are very often seasonal items, the appeal of which quickly diminishes if they are remain unsold, or become "out-season" over a given period of time. As of December 31, 2016, 2017 and 2018, we recorded inventory in the amount of US$3.4 million, US$6.2 million and US$8.9 million, respectively, of which 92.5%, 94.2% and 95.0% was attributed to our Luxury Travel Retail Sector in the corresponding periods. The amount of our inventory during the Track Record Period was in line with our expansion of number of boutiques and brand collection. During the Track Record Period, our inventory turnover days was 142.7 days, 172.5 days and 174.7 days, with no material fluctuation. During the same periods, an obsolete inventory of US$53,000, US$24,000 and US$29,000, respectively, was provided for. We consider that our inventory level generally stable and healthy taken into consideration the luxury nature of our travel retail business and our merchandising practice where we procure generally twice a year to stock up inventory for an entire season. Potential investors should carefully read "Risk Factors — We face slow and obsolete inventory risks".

We manage our inventory with a focus on controlling our inventory holding costs and to maintain the variety of merchandises available for sale in our boutiques. Generally on a monthly basis, we perform analysis on the sales performance and inventory level of each boutique by using the operational data collected by our point-of-sales system, which we in turn optimize the stock level of each boutique and minimize stock aging by adjusting our merchandising plan and/or marketing and promotion campaigns.

We perform stocktaking every month to verify the record of inventory level. Any inventory discrepancies discovered during each stock count will be followed up and reported to our warehousing and inventory team, who investigates the discrepancies and reports the finding to our management. When the inventory level of certain merchandise is high or when merchandises that are going to go "out-season", we may launch a promotion or sales activity. Our Directors have confirmed that our Luxury Travel Retail operations do not have material inventory accumulation. During the Track Record Period, we also did not experience any interruption to the supply of our merchandises or fail to secure sufficient quantities of irreplaceable merchandises that had any material adverse impact on our travel retail business or operations.

Product quality and return policy

Brand owners are generally responsible for conducting quality and safety tests throughout the production process, prior to delivering the finished merchandises to us. We also check our merchandises upon delivery to ensure their quality. We maintain a refund and return policy on defective merchandises. As leisure travelers usually visit Guam, Saipan and Hawaii for a short vacation, returns and exchanges are not common in our Luxury Travel Retail Sector and are usually handled by the brands' overseas locations.

We also maintain a return policy with brand owners, pursuant to which we may be able to seek indemnification from brand owners for faulty merchandises depending on individual conditions. During the Track Record Period, we did not request any indemnification from our brand owners.

SYNERGY WITH OUR HOTELS & RESORTS AND DESTINATION SERVICES SECTORS

We distinguish ourselves from our main peers across our 3 business sectors with a comprehensive offering of travel products and services, which we are able to extract synergies from. We seek to integrate our Luxury Travel Retail Sector with our other tourism business sectors with the following measures:-

— Our hotel and resort guests typically receive a discount of around 10% off the stated retail price of our merchandises.

— We advertise our Luxury Travel Retail Sector through lightboxes, billboards, television programs and magazines at our hotels and resorts.

— We incentivize the tour guides of our Destination Services Sectors by paying sales commission of typically 10% (based on customer sales receipts).

— Our Destination Services Sector's concierge desks, co-located within walking distance from our hotels and resorts, provide details and discount information of our Luxury Travel Retail Sector.

— Our travel retail boutiques in Saipan are within walking distance from our *Fiesta Resort Saipan*. In addition, 3 boutiques in Guam are also within walking distance from our *Fiesta Resort Guam*.

C. DESTINATION SERVICES SECTOR

Our Destination Services Sector is a Saipan-based land operator which offers 3 unique excursion tours that are considered by many as key attractions of the island itself: *SeaTouch* (a stingray interaction experience), *Let's Go Tour* (a 4-wheel drive jungle and mountain adventure) and *Jetovator* (a hydro-powered jetski that propels participants through the air). We also (1) run 3 *iShop* souvenir and amenities stores, (2) offer booking services for third-party operating activities and tours, and (3) work with tour operators to provide ground handling and concierge services to their packaged holiday guests in Saipan.

For the 3 financial years ended December 31, 2018, our Destination Services Sector recorded a sector revenue of US$4.3 million, US$4.8 million and US$4.6 million, respectively, representing an average of 5.1% of our total revenue during the same periods. Although the financial contribution of our Destination Services Sector is not significant to our Group taken as a whole, it plays an important role in synergizing our entire leisure tourism business offering in Saipan through 17 tours guides as of the Latest Practicable Date who, through their frequent traveler interaction in operating our destination services, actively cross-sell our various other travel products and services. See "— Synergy with our Hotels & Resorts and Luxury Travel Retail Sectors" below for details.

SERVICE OFFERING

Unique excursion tours

In 2014, we began to offer affordably-priced, popular excursion tours and activities with a principal objective to enhance the holiday experiences of our customers. Corresponding to our corporate name "S.A.I.", our unique excursion tours are categorized into "Sea", "Air" and "Island" experiences.

The table below gives an overview of our unique excursion tours:-

	"Sea" experience	**"Air" experience**	**"Island" experience**
Activity summary and highlights	*SeaTouch*, a unique stingray interaction experience	*Jetovator*, a hydro-powered jetski that propels participants above sea level	*Let's Go Tour*, a featured jungle and mountain adventure on our 4-wheel drive vehicles
Standard price (*US$*)	60 per person	100 per person	85 per person

We develop our products and service offerings through extensive market research. Our management regularly conducts primary market research with guests residing in our hotels and resorts on their expectations on the holiday experiences in Saipan to track prevailing customer habits and preferences. Since 2014, our management has secured the necessary licenses and leases for our *Let's Go Tour*, *SeaTouch* and *Jetovator* excursion tours. The lead time from conceptualization to launch of each excursion takes around 2-3 years.

We market our destination services offerings through online platforms such as TripAdvisor, social media platforms such as Facebook, WeChat and Kakao Talk, and printed materials on local and international travel publications. Bookings for our self-operated excursions can also be made offline at our concierge desks, or online through our websites, call centers and social media platforms.

Our unique excursions frequently appear on local and international tourism promotion campaigns. In June 2018, a South Korean boy-band and a South Korean girl-group participated in our *SeaTouch* and *Jetovator* excursion tours as part of their photo and music video shooting, which was widely featured in various media such as printed materials and YouTube and resulted in a notable rise in our activity participation level. Our celebrity engagement has enhanced the market visibility and awareness of our unique excursion tours offering. Going forward, we intend to continue with sponsoring various celebrity visits and promote our unique excursion tours.

Our unique excursion tours are offered in English, Mandarin and Korean languages. As a testament of our commitment to the local communities in Saipan, we offer a concessionary rate to locals, government officials and employees, the U.S. military and corporations (such as airlines), as well as single complimentary access to *SeaTouch* for local children under 12 as an educational visit.

We maintain liability insurance for our unique excursion tours. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there was no material accident in relation to the excursion tours operated by us.

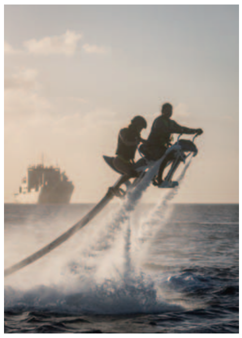
Let's Go Tour

Let's Go Tour is our flagship jungle and mountain adventure offering participants a chance to hop on our 4-wheel-drive (4WD) vehicles and drive through a maze of lavish tropical flora and fauna against Saipan's natural landscape. The land-based tour is unique in that it offers participants an opportunity to appreciate hidden trails and mountain landscape in addition to Saipan's world-famous marine environment. *Let's Go Tour* commanded over 7,800 participants in 2018. Established in 2014, it remains as one of the most popular tours of choice in Saipan. Available in English, Mandarin and Korean with maximum daily a capacity of 35 across 5 4WD vehicles on a daily basis subject to weather conditions.

SeaTouch

Established in 2016, *SeaTouch* is Saipan's newest tourist attraction offering a one-of-a-kind memory of touching, feeding and swimming with stingrays in a safe, friendly and fun setup. This eco-tour focuses on education aspects, giving children, families, couples or just any traveler a chance to learn about these ocean creatures in an interactive environment. Located within our *Fiesta Resort Saipan*, *SeaTouch* recorded over 7,850 participants in 2018, and is regarded by many as a top attraction of Saipan itself. It is also ranked a top-3 activity of Saipan on TripAdvisor, an independent online traveler community. *SeaTouch* has a maximum daily capacity of 75, divided into up to 6 sessions subject to weather conditions.

Jetovator



Jetovator is our latest addition to our unique excursion tours offering and is a high-flying experience that is only available in a few locations in the world. Our jetski uses hydraulic power to elevate participants above sea level and "fly" them over the pristine water in Saipan. Participants have the option to jetset on his own, or fly with an experienced coach on a two-seater. It has a maximum daily capacity of 30 across 6 sessions every day subject to the weather condition. *Jetovator* is our latest excursion offering incepted in November 2017. It has a participant count of over 3,300 in 2018. The *Jetovator* tour is boarded at our *Fiesta Resort Saipan* pier.

iShop

We operate 3 souvenirs and amenities stores under the *iShop* brand. Our 3 *iShop* stores are strategically located (1) within our *Fiesta Resort Saipan*, (2) within our *Kanoa Resort*, and (3) in Garapan, Saipan's tourism center which is within walking distance from our *Fiesta Resort Saipan* and our travel retail boutiques. Stocking a range of Western Pacific Region localities for keepsakes, selections of snacks, drinks and daily consumables as well as holiday clothing and beach inflatables, our souvenir and amenities stores offer affordable and convenience products and services rounding out the full-service philosophy of our hotels and resorts.

Booking services

We operate 3 destination service concierge desks at our hotels and resorts and provide our guests with booking services for various third-party tours and activities such as transportation, diving adventure, star-glazing tours, sunset cruises and day trips to the popular Managaha Island (where we operate a buffet-style restaurant). We do not enter into any long-term agreement or written contract with third-party tour or activity operators. Each booking is made as an one-off transaction for which we earn an agency income.

Concierge and travel management services

We work with some larger tour operators of our Hotels & Resorts Sector to provide destination-based concierge and travel management services in Saipan, such as airport pick-ups, activity and transportation arrangements and briefing sessions. These services are offered to ensure that our leisure tourism business encompasses the end-to-end holiday experiences of our holiday package guests.

SYNERGY WITH OUR HOTELS & RESORTS AND LUXURY TRAVEL RETAIL SECTORS

As of the Latest Practicable Date, our Destination Services Sector had a team of 17 tour guides who, through their active traveler interaction, actively cross-sell and optimize the participation level of our other travel products and services across sectors. For example, at times of adverse weather conditions, our tour guides often divert our outdoor adventure customers to our travel retail boutiques, "Joyful Dinner Show" and other food and beverage options.

We seek to integrate our Destination Services Sector with our other business sectors with the following measures:-

— Our *SeaTouch* and *Jetovator* excursion tours are strategically located within our *Fiesta Resort Saipan*, while our *iShop* souvenir and amenities stores are co-located within the premises or within walking distances from our hotels and resorts. We also operate 3 concierge desks within our hotels and resorts to accept tours and service bookings.

— Our tour guides conduct daily briefings at our hotels and resorts, timed against daily flight arrival schedule, to introduce and cross-sell the service offering of our Destination Service Sector, travel retail boutiques, and the food and beverage, recreational, wellness and other hospitality services at our hotels and resorts.

— We offer a complementary half-day or 1-day island tour to selected hotel and resort guests, taking them through the key historical monuments, scenic spots, shopping malls and eateries in Saipan. During the tour, we often bring our guests to our travel retail boutiques and cross-sell our other travel products and services.

— We offer a 4.5% to 10% commission (calculated base on sales revenue) to the tour guides of our Destination Services Sector for each successful cross-sold travel product or service.

— Our Destination Services Sector's 3 concierge desks, co-located within our hotels and resorts, provide details and discount information of our Luxury Travel Retail and Destination Services Sectors.

— Our destination services offering is advertised through billboards, lightboxes, television programs and magazines in our hotels and resorts.

AWARDS AND ACCOLADES

In recognition of our leisure tourism offering, we have been awarded with accolades and honors by various business partners, industry associations and local government entities over the years. The table below shows a list of selected awards we received:-

Award	Recipient	Awarded by	Year of award
Certificate of Excellence	*Fiesta Resort Saipan*	TripAdvisor	2017
Travelers' Top Spots	*Fiesta Resort Saipan*	CTrip	2017
Diamond Award	*Fiesta Resort Saipan*	Rakuten Travel	2017
Ambassador Weather-Ready-Nation	*Fiesta Resort Saipan*	National Weather Service	2017
Certificate of Excellence	*Kanoa Resort*	TripAdvisor	2018
Certificate of Excellence	*Century Hotel*	TripAdvisor	2017
Golden Latte Award Winner — "Sustainability"	*Fiesta Resort Guam*	Guam Hotel & Restaurant Association and Guam Visitors Bureau	2018, 2017

Award	Recipient	Awarded by	Year of award
Winner — Certificate of Excellence	*Fiesta Resort Guam*	TripAdvisor	2017, 2015, 2013, 2012, 2011
Guest Review Awards	*Fiesta Resort Guam*	Booking.com	2017
Gold Circle Award	*Fiesta Resort Guam*	Agoda	2015, 2014
All Star Award — Winner of the Hotelier Category	*Fiesta Resort Guam*	Guam Hotel & Restaurant Association	2009

KEY CUSTOMERS AND SUPPLIERS

KEY CUSTOMERS

Our customers, as recognized in our financial statements, are (1) tour operators and TTAs which sell and market our accommodation under our Hotels & Resorts Sector, (2) hotel guests who book our accommodation through OTAs, our own websites and hotel direct bookings, (3) travelers who purchase our food and beverage, meetings, banquets and other hospitality services at our hotels and resorts, (4) third-party operators of other services and facilities at our hotels and resorts on concessions, and (5) shoppers of our Luxury Travel Retail Sector and participants of our Destination Services Sector.

In terms of revenue contribution, our key customers are primarily tour operators of our Hotels & Resorts Sector. The tables below show our 5 largest customers (by revenue contribution) during the Track Record Period and their background information:-

For the financial year ended December 31, 2018

Rank	Customer	Principal business	Sector	Year(s) of relationship	Revenue contribution	
					(US$'000)	*(%)*
1.	QZ Tours	A China-based tour operator primarily engaged in arranging holidays for Chinese tourists.(note)	Hotels & Resorts	6	11,467	11.4
2.	Customer A	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	2,656	2.7
3.	Customer B	A Saipan-based tour operator primarily engaged in arranging holidays for Chinese tourists	Hotels & Resorts	3	2,498	2.5
4.	Customer C	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	2,353	2.3
5.	Customer D	A wholly-owned subsidiary of a company listed on the Stock Exchange with a market capitalization of HK$25.73 billion as of the Latest Practicable Date primarily engaged in hotel and casino operations in Saipan	Hotels & Resorts	4	1,651	1.7
			5 largest combined		***20,625***	***20.6***
			Total revenue		**100,178**	**100.0**

For the financial year ended December 31, 2017

Rank	Customer	Principal business	Sector	Year(s) of relationship	Revenue contribution (US$'000)	(%)
1.	QZ Tours	A China-based tour operator primarily engaged in arranging holidays for Chinese tourists.(note)	Hotels & Resorts	6	10,032	11.2
2.	Customer A	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	3,844	4.3
3.	Customer C	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	3,358	3.8
4.	Customer B	A Saipan-based tour operator primarily engaged in arranging holidays for Chinese tourists	Hotels & Resorts	3	2,800	3.1
5.	Customer D	A wholly-owned subsidiary of a company listed on the Stock Exchange with a market capitalization of HK$25.73 billion as of the Latest Practicable Date primarily engaged in hotel and casino operations in Saipan	Hotels & Resorts	4	2,143	2.4
			5 largest combined		*22,177*	*24.8*
			Total revenue		**89,430**	**100.0**

For the financial year ended December 31, 2016

Rank	Customer	Principal business	Sector	Year(s) of relationship	Revenue contribution (US$'000)	(%)
1.	QZ Tours	A China-based tour operator primarily engaged in arranging holidays for Chinese tourists.(note)	Hotels & Resorts	6	11,574	14.2
2.	Customer A	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	4,302	5.3
3.	Customer C	A Japan-based tour operator primarily engaged in arranging holidays for Japanese tourists	Hotels & Resorts	16	3,542	4.4
4.	Customer D	A wholly-owned subsidiary of a company listed in the Stock Exchange with a market capitalization of HK$25.73 billion as of the Latest Practicable Date, primarily engaged in hotel and casino operations in Saipan	Hotels & Resorts	4	1,748	2.1
5.	Customer B	A Saipan-based tour operator primarily engaged in arranging holidays for Chinese tourists	Hotels & Resorts	3	1,428	1.8
			5 largest combined		*22,594*	*27.8*
			Total revenue		**81,238**	**100.0**

Note: See "— Sales — Booking Channels — Tour Operators — QZ Tours" above for the detailed background information of QZ Tours.

For the 3 financial years ended December 31, 2018, our 5 largest customers (by revenue contribution) together contributed to 27.8%, 24.8% and 20.6%, respectively, of our total revenue, while our largest customer (by revenue contribution) accounted for 14.2%, 11.2% and 11.4%, respectively, of our total revenue. We maintain stable and long-standing relationship with our 5 largest customers (by revenue contribution), with periods of relationship ranging from 3 to 16 years.

Our Directors have confirmed that, save as disclosed in "— Sales — Booking Channels — Tour Operators — QZ Tours" above and as of the Latest Practicable Date, all of our 5 largest customers (by revenue contribution) of each of the periods during the Track Record Period were independent third parties and none of our Directors or their close associates or our existing Shareholder(s) who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of these customers.

KEY SUPPLIERS

The suppliers of our leisure tourism business are (1) suppliers of utilities, linens, toiletries, food and beverage ingredients and miscellaneous hotel consumables in our Hotels & Resorts Sector and (2) brand owners from whom we procure merchandises in our Luxury Travel Retail Sector.

In terms of purchase amount, our key suppliers are utilities and food and beverage ingredient suppliers in our Hotels & Resorts Sector, as well as brand owners in our Luxury Travel Retail Sector. The tables below show our 5 largest suppliers (by purchase amount) and their background information during the Track Record Period:-

For the financial year ended December 31, 2018

Rank	Supplier	Principal business	Sector	Year(s) of relationship	Purchase amount	
					(US$'000)	*(%)*
1. . .	Supplier A	Brand B owner/retailer (note)	Luxury Travel Retail	4	5,635	6.4
2. . .	Supplier B	A government-owned utility supplier providing water and electricity in the CNMI	Hotels & Resorts	17	3,239	3.7
3. . .	Supplier C	Brand F owner/retailer (note)	Luxury Travel Retail	3	2,592	3.0
4. . .	Supplier D	Brand D owner/retailer (note)	Luxury Travel Retail	4	1,896	2.1
5. . .	Supplier E	Brand C owner/retailer (note)	Luxury Travel Retail	4	1,858	2.1
			5 largest combined		***15,220***	***17.3***
			Total operating costs		**87,767**	**100.0**

For the financial year ended December 31, 2017

Rank	Supplier	Principal business	Sector	Year(s) of relationship	Purchase amount	
					(US$'000)	*(%)*
1. . . .	Supplier A	Brand B owner/retailer (note)	Luxury Travel Retail	4	3,729	5.1
2. . . .	Supplier B	A government-owned utility supplier providing water and electricity in the CNMI	Hotels & Resorts	17	3,142	4.3
3. . . .	Supplier D	Brand D owner/retailer (note)	Luxury Travel Retail	4	1,650	2.2
4. . . .	Supplier F	A wholesaler and retailer of food items in Saipan	Hotels & Resorts	17	1,565	2.1
5. . . .	Supplier E	Brand C owner/retailer (note)	Luxury Travel Retail	4	1,372	1.9
			5 largest combined		***11,458***	***15.6***
			Total operating costs		**73,627**	**100.0**

For the financial year ended December 31, 2016

Rank	Supplier	Principal business	Sector	Year(s) of relationship	Purchase amount	
					(US$'000)	*(%)*
1. . . .	Supplier B	A government-owned utility supplier providing water and electricity in the CNMI	Hotels & Resorts	17	2,566	3.8
2. . . .	Supplier A	Brand B owner/retailer (note)	Luxury Travel Retail	4	2,077	3.1
3. . . .	Supplier F	A wholesaler and retailer of food items in Saipan	Hotels & Resorts	17	1,339	2.0
4. . . .	Supplier E	Brand C owner/retailer (note)	Luxury Travel Retail	4	1,260	1.9
5. . . .	Supplier D	Brand D owner/retailer (note)	Luxury Travel Retail	4	1,127	1.7
			5 largest combined		***8,369***	***12.5***
			Total operating costs		**66,910**	**100.0**

Note: See "— B. Luxury Travel Retail Sector — Brand Offering" above for detailed background information of the brand owners.

For the 3 financial years ended December 31, 2018, our 5 largest suppliers (by purchase amount) together contributed to 12.5%, 15.6% and 17.3%, respectively, of our total operating costs, while our largest supplier (by purchase amount) accounted for 3.8%, 5.1% and 6.4%, respectively, of our total operating costs. We maintain stable and long-standing relationship with our 5 largest suppliers (by purchase amount), with periods of relationship ranging from 3 to 17 years. During the Track Record Period, none of our 5 largest suppliers (by purchase amount) is also a 5 largest customer (by revenue contribution) and vice versa.

WORKING CAPITAL MANAGEMENT

Our key customers, being tour operators, are typically given a credit term of 30 days. Our key suppliers, being utilities suppliers, food and beverage ingredients suppliers and brand owners, typically grant us a credit period of *nil* to 90 days. As of December 31, 2016, 2017 and 2018, our trade receivables amounted to US$4.8 million, US$4.0 million and US$4.1 million, respectively, and our trade payables as of the same dates amounted to US$2.6 million, US$3.0 million and US$3.0 million. We consider that our credit policy and working capital position are generally in line with industry norms of the leisure tourism business sectors that we operate in.

Based on our credit policy and working capital position, we do not consider that the nature of our operations entail any significant cash flow mismatch issue. In particular, (1) credit term is typically offered to tour operators and TTAs of good credit history, long-standing business relationship and international reputation with 30 days from the date of invoice, which is in turn issued twice a month, (2) guests of our hotels and resorts who book through OTAs and direct booking channels typically settle their payment before or upon guest check-out, (3) we have room cancellation policy in place such that we are entitled to forfeit the deposits or any other committed amounts after the cancellation period, and (4) we receive instant payments from customers of our Luxury Travel Retail Sector and activity participants of our Destination Services Sector.

On a monthly basis, our finance and accounting team, which is centralized at our headquarters in Hong Kong, prepare analysis of projected monthly sales, our inventory level and cash position to ensure sufficiency of our financial resources. We also prepare monthly analysis on the timing of cash inflow and outflow and our other cash requirements to ensure that we maintain sufficient financial resources to meet our cash requirements.

We believe that we are generally capable of minimizing the risks of possible cash flow mismatch and have sufficient working capital and financial resources for our on-going operations.

SEASONALITY AND CYCLICALITY

Our leisure tourism business is subject to the seasonal cycles of the leisure tourism market in Saipan, Guam and other locations. The leisure tourism market of Saipan and Guam, similar to other beach holiday destinations, are considered "tropical escapes". Our peak seasons thus fall in winter of our key origin markets such as China, South Korea and Japan from December to February, which also coincide with school and public holidays in these markets such as Thanksgiving, Christmas, New Year and Lunar New Year. Another peak season would be the school holidays in July and August, bringing influx of family travelers into Saipan and Guam. Our leisure tourism business has, to a certain extent, relied on the performance in these peak seasons. Any failure to perform in these peak seasons may affect our full-year results. Potential investors should carefully read "Risk Factors — We are subject to the seasonal fluctuations of the leisure tourism market".

INSURANCE

We face a number of inherent risks in our ordinary course of operations as a leisure tourism business. We have insurance policies under which we have insured ourselves against certain operational risks including property damage or loss, natural disasters, fire, vandalism/mischief, personal injury, premise liability, vehicles, and product liability. We believe the insurance coverage we currently have is customary for businesses of our size and scale and in line with industry practice and is adequate for us to conduct normal business operations.

Our insurance coverage may not be adequate to cover all losses that may occur. See "Risk Factors — We may be subject to possible exposure to uninsured liabilities". In addition, insurance cost may increase and we may not be able to obtain the same level of insurance coverage in the future. Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no material insurance claims by or against our Group.

EMPLOYEES

As of the Latest Practicable Date, we had 204, 533, 25 and 9 full-time employees in Guam, Saipan, Hawaii and Hong Kong, respectively. The table below shows a breakdown of the number of employees by geographical locations and by functions:-

	As of the Latest Practicable Date				
	Guam	*Saipan*	*Hawaii*	*Hong Kong*	**Sub-total**
Directors and management	6	9	1	9	**25**
Sales and marketing	34	28	16	—	**78**
Finance and accounts	10	17	—	—	**27**
Human resources and general administration	3	8	—	—	**11**
Information technology	—	3	1	—	**4**
Operations					
Hotels & Resorts	141	434	—	—	**575**
Travel Retail	10	3	7	—	**20**
Destination Services	—	31	—	—	**31**
Total	**204**	**533**	**25**	**9**	**771**

Chairman Tan (Chairman of our Board and a Non-Executive Director), Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) and Mrs. Su Tan (an Executive Director) are ordinarily residents in Hong Kong and formulate our business strategies and overall operating vision and mission from our corporate headquarters. They also supervise our overall operating and financial performance with our other Non-Executive and Independent Non-Executive Directors in Hong Kong. Our other Executive Directors, Mr. Chiu and Mr. SCHWEIZER Jeffrey William, manage our day-to-day operations in Saipan and Guam along with our local senior management, Mr. Jerry Tan (our President, Guam & Saipan). Front-line staff across our 3 business sectors operate our business on-site. We centralize our support functions in our Hong Kong headquarters and share certain administrative functions with our Controlling Shareholders. See "Continuing Connected Transactions" for details.

We believe that we have maintained a good relationship with our employees. We have not experienced any significant disputes with our employees or any disruption to our operations due to labor disputes.

We are a sizeable leisure tourism group involving a vast number of manual labor to provide quality services up to our service protocol. To retain talents, remuneration package we offer to our employees includes salary, bonuses and other cash subsidies. In general, we determine our employees' salaries based on their individual qualifications, positions, work performance and other personal merits. We have an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions. Staff members across our 3 tourism business sectors are trained regularly to maintain service consistency.

We are subject to a number of labor laws and regulations in Guam and the CNMI and are required to adopt a number of employee protection measures. See "Laws, Regulations and Taxation — Employment Law Matters" for details. These include minimum wage laws, which current stand at US$7.25 per hour in the CNMI Law and US$8.25 per hour in Guam, and the requirement to maintain worker compensation insurance. During the Track Record Period, we consistently recorded a pay level above the prescribed minimum wage, and had a worker compensation policy in place. Our CNMI and Guam Legal Adviser has confirmed that there was no non-compliance incident in respect of any material labor laws and regulations in the CNMI and Guam that were applicable to us during the Track Record Period and up to the Latest Practicable Date.

Our operations across 3 tourism business sectors are labor-intensive. The local population in Saipan and Guam is scarce, and our ability to employ sufficient manpower for our operating needs depends on the availability of foreign labor force principally from the Philippines, which in turn depends upon the immigration policies and labor regulations governing foreign workers in the CNMI and Guam. In 2018, the U.S. President signed the Northern Mariana Island U.S. Work Force Act of 2018, which increases the quota for temporary non-immigrant workers in the CNMI from 4,999 to 13,000 and extends the foreign worker visa program (CW-1 program) through to December 31, 2029. Any adverse change to the currently applicable labor laws and policies, especially foreign worker policy in the CNMI and minimum wage laws, could materially impact our business and results of operations. Potential investors should carefully read "Risk Factors — Labor shortages or disruptions could restrict our ability to operate our hotels or grow our business and may result in increased labor costs".

CUSTOMER DATA

We collect certain personal data (such as names and contact details upon check-in to our hotels and resorts) of our actual and potential guests and customers in Saipan and Guam in connection with our business and operations. These data, once collected, are stored in our own servers in Saipan and with our third-party IT service provider in Guam for a maximum period of 12 months. Particularly in Guam, there are regulations in place governing the collection and usage of personal data. These regulations require us to employ reasonable and appropriate security measures to protect the personal information of our guests and customers. In addition, these regulations require us to notify our customers of breaches involving financial information or personal information where there is a reasonable belief that such breach has caused or will cause identity theft or other fraud. Our CNMI and Guam Legal Adviser has advised us that we are in compliance with the relevant laws and regulations in the U.S., the CNMI and Guam with respect to personal data privacy. Our Directors have further confirmed that there was no material breakdown in our information system or loss of data during the Track Record Period.

We have an internal policy in place to safeguard the confidentiality of the personal information we lawfully collect against our employees from any potential dissemination through our communication system and/or social media. We believe that these measures are sufficient to prevent any improper use and abuse of sensitive information by our employees and to maintain our high ethical standards. While third-party business partners such as OTAs, tour operators and local agents may provide us with customer data, we do not in the course of our business share any customer data with them. For security reasons, only authorized employees with professional necessity have limited access to confidential information and/or customer data, and employees are generally forbidden from using their own personal devices for Company communication and from removing Company communication property or equipment from our premises, unless with written authorization from us, and they are not allowed to extract from our system any data of a personal nature and in particular the data subject to privacy protection. For the purpose of the Listing, we have engaged a firm of certified public accountants to review our internal control measures including those relating to data privacy and governance. Our internal controls reviewer has recommended that our data policy to be enhanced to cover additional processes such as password requirements, system change procedures and recovery plans. Our internal controls reviewer has reviewed our revised policies on data privacy and governance with no further recommendation.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

HEALTH AND SAFETY

As a full-range leisure tourism operator, we appreciate that the safety of our guests, employees and assets, as well as the safety within our immediate neighborhood, is crucial if we are to create a long-term sustainable business. Training and preventive actions are our main tools to ensure safety. For example, we have implemented safety manuals and fire and safety programs, use checklists and regularly carry out safety audits, and cooperate with police and fire authorities. Every incident is logged, reported and followed up on by the responsible manager and handled according to our crisis organization and procedures. Our hotels, resorts, boutiques and warehousing units are all equipped with closed-circuit surveillance cameras.

As advised by our CNMI and Guam Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant incident in relation to safety that resulted in actual or potential prosecution, penalty or other government action being brought against us in either the CNMI or Guam.

ENVIRONMENT

We commit to minimizing any adverse impact on the environment in Saipan and Guam, as the continuous development of our leisure tourism business is closely linked to the natural landscape and environment in Saipan and Guam as beach holiday destinations.

We track the consumption of electricity, energy and water for each of our hotels and resorts to ensure that we are performing in line with our high standards. We have also implemented a towel re-use program to save water consumption as well. We have experienced that substantial energy reductions can be achieved through training and increased awareness among our personnel that do not require significant investments.

During the Track Record Period and up to the Latest Practicable Date and to the best knowledge of our Directors, we did not record any material non-compliance with applicable environment laws and regulations that resulted in actual or potential prosecution, penalty or other government action being brought against us.

COMPETITION

The hotels and resorts industry in Saipan is unique that regional players (such as ourselves) have a strong position against significant under-representation of international chained operators. Between 2013 to 2017, tourists arrivals in Saipan grew on a CAGR basis at 10.8%, which outpaced the development of additional accommodation capacity on the island. Coupled with rising income level in key tourist origins of China, South Korea and Japan, increasing flight connections as well as global travelers' growing preferences for premium holiday experiences, the hotels and resorts industry in Saipan has been experiencing an over-demand and a growth in market room rates. In 2017, there were around 10 hotel and resort establishments in Saipan in the mid-market segment (ARR of US$80 to US$170 per room night) or above, which are primarily owned and run by local and regional players. In particular, there is a limited supply of up-market accommodation (ARR of US$170 per room night or above) with only 2 market peers in 2017. During the Track Record Period, we operated our hotels and resorts close to full capacity and, with the exception of our *Fiesta Resort Saipan*, recorded a RGI below 1, which indicates that our RevPAR was below the average of our main peers. It is against these industry backdrops that we intend to implement our asset rejuvenation plan to overhaul the accommodation and service offering of *Fiesta Resort Saipan* and *Kanoa Resort* and strengthen their room rate commanding power. We expect that our asset rejuvenation plan will lift our *Fiesta Resort Saipan* and *Kanoa Resort* from the more competitive mid-market segment towards the more attractive up-market segment.

In Guam, the hotels and resorts industry is distinct from its Saipan counterpart with the presence of a number of international branded market peers, which constantly gives us pricing pressure and intensifies competition. We expect that our asset rejuvenation plan on *Fiesta Resort Guam* will strengthen its competitive edge in this market environment. In Guam, there were over 50 hotels and resorts competing for 1,559,400 arriving tourists in 2017.

By market share, we enjoy #1 in Saipan based on revenue, number of properties and number of rooms sold in 2017, commanding 33.7% of hotels and resorts revenue on the island and 24.5% of total number of rooms sold. In Guam, our *Fiesta Resort Guam* is also one of the most notable beachfront resorts. Similar to the global hospitality market, the hotels and resorts in Saipan and Guam compete on price, location, brand recognition and service offering. With the growing prevalence of online booking channels which significantly enhances pricing transparency, and as global tourists become more willing to spend on premium holiday experiences, the competitive landscape has become dynamic over the past years. With our competitive strengths set out in "— Competitive Strengths" above and our operational and financial track record, we consider that we generally compete well against our market peers in Saipan and Guam.

The travel retail industry in Guam, Saipan and Hawaii has experienced positive growth over the recent years, with an increasing number of visitors to these destinations together with rising purchase power of Chinese and South Korea travelers. Guam enjoys a long history and reputation as a "shoppers' paradise" with a zero import duty and GST policy and a sizeable presence of U.S. military and their family members who are often prone to shop off-duty. Saipan is still in its early stage of development as a shopping destination with less intensive competition and brand presence. While Hawaii is an established shopping destination with a mature market landscape, several brands we offer in Guam and Saipan are otherwise not currently available in Hawaii, giving us an opportunity to explore the possibility of expanding our brand offering there. Based on our brand profile and number of boutiques, we are one of the largest travel retail boutique networks in Guam and Saipan. The main draw of our Luxury Travel Retail Sector is our "concept store" standalone model housing 1 brand at each boutique, which is distinguished from the open-plan, "shop-in-shop" setup of our competitors.

Our Destination Services Sector continues to lead the market with innovation such as our *Let's Go Tour, SeaTouch* and *Jetovator* unique excursion tours.

Our continuous business development is associated with the leisure tourism market in Saipan and Guam, which are in turn driven by macro-economic conditions particular in the Asia Pacific region. See "Industry Overview" for further details.

INTELLECTUAL PROPERTY

Our leisure tourism depends on the value, reputation and strength of our hotels and resorts, which are operated under FIESTA, Kanoa Resort, CENTURY HOTEL and FIESTA. Our Destination Services Sector also markets its popular excursions and activities under and SEATOUCH. We have filed applications for the registration of these logos as trade marks in with United States Patent and Trademark Office. As of the Latest Practicable Date, the registration had not been completed. We thus have limited legal recourse to protect our logos from infringement and reputation damage. Specifically, we will have to, if necessary , rely on U.S. common law for remedies against third party infringement and misappropriation, which can be more time-consuming and less effective than the recourses otherwise available for registered trade marks. See "Risk Factors — We have not secured the registrations of our hotel and resort trade marks in the CNMI and Guam, and have limited recourse to protect our brands and their values" for details.

As of the Latest Practicable Date, we had registered 1 trade mark in Hong Kong, and had applied for the registration of 6 trade marks with the United States Patent and Trademark Office and 5 trade marks in Hong Kong. These marks are considered material to our leisure tourism business. See "Appendix V — Statutory and General Information — C. Further Information about our Business — 2. Our Material Intellectual Property Rights" for a list of intellectual property rights which we consider to be important to our business operations. As of the Latest Practicable Date, we were also the registered owner of 5 domain names.

As of the Latest Practicable Date, we were not aware of any infringement (1) by us of any intellectual property rights owned by any third party, or (2) by any third party of any intellectual property rights owned by us. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claim made against us, nor had there been any material claim made by us against third parties, with respect to the infringement of intellectual property rights.

INFORMATION TECHNOLOGY

As part of our revenue and pricing management initiatives, our sales team uses IT platform to optimize our level of occupancy and customer mix. From March 2018, we have been gradually implementing a new reservation system across our hotels and resorts which gives us real-time access to our room inventory and pricing status across different booking channels, as well as useful statistics of our industry peers. Our new reservation system, which will be further supported by new internet and data servers, will connect our hotels and resorts with third-party booking channels such as OTAs and global distribution systems (such as Pegasus, Amadeus and Sabre/Galileo commonly used by travel agents), which will give us the ability to feed real-time adjustment to our room rates and capture volume over time. Our management (especially our Executive Directors who are based in Hong Kong) will also gain online, real-time access to our key performance metrics such as ARRs, occupancy rate and RevPAR.

We also use an asset management system to assist with various back-end functions of our hotels and resorts, and a point-of-sales system to operate our hotels' and resorts' front-house functions, travel retail boutiques and excursion tours. Our staff is required to record sales data into these systems as soon as the transactions take place. We also use a computerized accounting system to ensure consistency.

The maintenance of our IT platform is in-house in Saipan, and outsourced to a third-party service provider in Guam.

PROPERTY INTERESTS

We have certain property interests in Saipan, Guam, Hawaii and Hong Kong comprising a total GFA of 174,284.9 sq.m. These property interests include (1) 2,466 sq.m. of self-owned land parcel and 98,786 sq.m. of leased land parcels housing our 4 hotels, resorts and their ancillary operating functions, (2) 59,723 sq.m. of hotel and resort buildings and improvements on these land parcels which we hold as leasehold interests, and (3) 16,067.5 sq.m. of various leased premises we use as our travel retail boutiques, warehousing units and our various operational, and administrative and support functions.

SELF-OWNED AND LEASED LAND PARCELS

As of the Latest Practicable Date, we self-owned a land parcel forming the beachfront portion of our *Fiesta Resort Guam* and leased 6 land parcels housing our hotels, resorts and their ancillary functions. The table below shows a summary of our self-owned land parcel:-

Location	Usage	GFA	Value as of January 31, 2019
		(sq.m.)	*(US$'000)*
Guam			
Lot 5137-6-1-1-R1, Pale San Vitores Road, Tumon Bay, Guam 96913	*Fiesta Resort Guam*	2,466	3,100

The table below shows a summary of our leased land parcels:-

Location	Usage	GFA	Expiry date
		(sq.m.)	
Saipan			
Tract 21663, Garapan, Saipan	*Fiesta Resort Saipan* and staff quarters	30,379	June 30, 2021
Tract 21868, Susupe, Saipan	*Kanoa Resort* and staff quarters	38,991	June 30, 2024
Lot 004 D 93, Garapan, Saipan	*Century Hotel*	1,200	July 10, 2042
Lots No. 001 D 37, D 38, D 39 and D 40, Garapan, Saipan(note)	Staff quarters	1,832	January 4, 2042
Lot 004 D 70, Garapan, Saipan	Staff quarters	929	May 21, 2046
Guam			
Lot 5135-1, Tamuning, Guam	*Fiesta Resort Guam*	26,371	September 30, 2053

Note: This property interest comprises 2 land parcels of equal size of 916 sq.m. each. See below for the title issue regarding a portion of this leased land parcel.

Savills Valuation and Professional Services (S) Pte Ltd, our independent Property Valuer, has performed valuation on our self-owned land parcel. See "Appendix III — Property Valuation" for the full-text valuation report. In determining the value of the properties, our Property Valuer has adopted the income method approach (i.e. discount cash flow approach) on our 4 hotels and resorts buildings and improvements (which are held by us for our self-operation) with reference to (1) the historical operational performance of these hotels and resorts, (2) the prevailing market conditions, and (3) comparable sales transactions as available in the relevant markets. Our Property Valuer has adopted the direct comparison approach on our staff quarters and our self-owned land parcel for *Fiesta Resort Guam* with reference to comparable sales transactions in the relevant jurisdictions during the Track Record Period. For the purposes of adopting the direct comparison approach, our Property Valuer has collected and analyzed the comparable sales transactions of similar properties which have characteristics comparable to the properties, and then made adjustment on major factors such as date of transactions, location, size, building quality etc. to reflect the differences between the properties and the comparables.

In valuing the properties, unless otherwise stated, our Property Valuer has assumed that transferable leasehold interests of the properties for their respective leasehold terms have been granted. Unless otherwise stated, our Property Valuer has also assumed that we have good leasehold rights to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

Title of Beach Court Land Parcel A

Lots No. 001, D37 and D38, Garapan, Saipan (the "**Beach Court Land Parcel A**") is 1 of the 2 equally-sized land parcels of 916 sq.m. each underlying our Beach Court staff quarters in Garapan, Saipan. The Beach Court Land Parcel A was first leased by Pacific Micronesia Corporation, an independent third party ("**PMC**") from an independent third party lessor (the "**Lessor**") in 1987 for a term of 55 years. The lease was subsequently assigned to us when we acquired from PMC the predecessor of our *Fiesta Resort Saipan* and its ancillary assets and functions in January 2002. The ownership and leasehold interests in the Beach Court Land Parcel A is multi-layered, tracing back to the original land owner who is named in public records. Our CNMI and Guam Legal Adviser has identified a number of questions related to the validity of our leasehold title to the Beach Court Land Parcel A and is unable to conclusively ascertain the Lessor's title to the Beach Court Land Parcel A based on the available public records and without contacting the parties involved, many of whom are now deceased. This consequentially creates, in our CNMI and Guam Legal Adviser's opinion, possibly unresolvable legal issues related to our continued right to occupy and use the Beach Court Land Parcel A under our ground lease.

Nevertheless, our CNMI and Guam Legal Adviser has advised that, notwithstanding the legal issues related to the validity of our lease, in their reasoned opinion, there is no reasonably foreseeable practical risk for our continued occupancy and use of the Beach Court Land Parcel A and the staff quarters situated on this land parcel. This opinion is based on the fact that (1) there has been no dispute raised by any party, including the apparent land owner, related to our continued use of this land parcel, (2) any legal recourse by any party or the CNMI government is likely time-barred, and (3) the apparent land owner agreed with the Lessor under the ground lease that any rent or other proceeds related to the Beach Court Land Parcel were assigned to the Lessor, facts which would form the bases for equitable defenses to any legal challenge to our continued use of the Beach Court Land Parcel A. Under the relevant CNMI laws, depending on the cause of action asserted, the statutory limit for bringing an action challenging the validity of our lease would either be 6 years (if the claim was based on a violation of the land ownership restrictions established by Article XII of the CNMI Constitution) or 20 years (if the claim was to recover real property under any other legal theory), both of which periods have long expired. Our CNMI and Guam Legal Adviser has also confirmed to us that aside from the possible, but remote, loss of our leasehold interests in the Beach Court Land Parcel A, there are no other legal consequences.

The Beach Court Land Parcel A and the staff quarters situated on this land parcel are not material to our business operations and financial position taken as a whole, because (1) the staff quarters do not generate any revenue and staff accommodation is provided to our staff members as part of their remuneration package at no extra cost, (2) we hold the staff quarters on leasehold interests which must be returned to the land owner upon expiry, and (3) we have no intention to use it as security against any present or future bank borrowing, and (4) for whatever reason and in the remote event that we are required to vacate the Beach Court Land Parcel A and the staff quarters, we will be able to accommodate the 18 employees currently residing at our Beach Court staff quarters to our other staff quarters located within the sites of *Fiesta Resort Saipan* and *Kanoa Resort*, which together have a capacity of 103 units. The occupancy level of our staff quarters vary from season to season depending on our full-time and casual staffing needs. We currently estimate that, even if we were required to provide comparable external housing to all 18 employees, the associated additional rental expenses would not be more than US$150,000 per year.

No allowance has been made in the valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

LEASEHOLD BUILDINGS AND IMPROVEMENTS

Under our land leases, the ownership of the buildings and improvements on our leased land parcels rest with us during the term of the leases, and must be returned to the land owners upon expiry. We therefore hold these buildings and improvements as leasehold property interests and they are classified as self-owned properties in our financial statements. Potential investors should particularly note that the titles of our leased land parcels and leasehold buildings and improvements are inseparable under the relevant CNMI and Guam laws and they are not freely transferable by us.

As of the Latest Practicable Date, we had leasehold property interests in 6 units of buildings and improvements housing our 4 hotels and resorts and their ancillary operations and functions. The table below shows a summary of our leasehold buildings and improvements:-

Location	**Usage**	**GFA**	**Date of expiry**	**Value as of January 31, 2019**
		(sq.m.)		*(US$'000)*
Saipan				
Fiesta Resort & Spa Saipan, Coral Tree Avenue, Garapan, MP 96950	*Fiesta Resort Saipan* and staff quarters	17,644	June 30, 2021	49,700
Kanoa Resort Saipan, Beach Rd., Susupe, Saipan 96950.	*Kanoa Resort* and staff quarters	20,267	June 30, 2024	14,500
Century Hotel, Chalan Pale Arnold, Kalachucha Ave., Garapan, Saipan, Saipan 96950	*Century Hotel*	1,395	July 10, 2042	2,000
Saipan Beach Court Apartment, Ginger Ave., Garapan, MP96950 (1)	Staff quarters	1,932	January 4, 2042	2,000
Fiesta Resort & Spa Staff Quarters Complex, Bukiki Avenue, Garapan, MP 96950	Staff quarters	963	May 21, 2046	600
Guam				
801 Pale San Vitores Road, Tumon, Guam 96913(2)	*Fiesta Resort Guam*	17,567	September 30, 2053	42,400

Notes:

(1) See "— Self-owned and Leased Land Parcels" above for details of the title issue relating to a leased land parcel underlying this property.

(2) These leasehold building and improvement was mortgaged to a licensed bank in Hong Kong for a standing credit line. As of the Latest Practicable Date, we did not, and had no present intention to, draw up the credit line.

As of December 31, 2018, being the last day of the Track Record Period, the aggregate carrying amount of our leasehold buildings and premises amounted to 29.2% of our total asset in our financial statements. Savills Valuation and Professional Services (S) Pte Ltd, our independent Property Valuer, has performed valuation on these buildings and improvements. See "Appendix III — Property Valuation" for the full-text valuation report.

Certain services and facilities in our hotels and resorts are operated by third parties on concessions in return for a rental income. These premises are accounted for as investment properties in our financial statements. As of December 31, 2016, 2017 and 2018, the net book amount of our investment properties amounted to US$2.9 million, US$2.7 million and US$2.6 million, respectively.

LEASED PREMISES

As of the Latest Practicable Date, we leased 32 premises in Saipan, Guam, Hawaii and Hong Kong as our travel retail boutiques and warehousing units and for our various operational, administrative and support functions. The table below shows a summary of our leased premises:-

Location	Usage	GFA	Date of expiry
		(sq.m.)	
Saipan			
First Floor, the ARC, Beach Road, Garapan, Saipan MP 96950	Travel retail boutique	105.4	October 31, 2023
Second Floor, the ARC, Beach Road, Garapan, Saipan MP 96950	Travel retail boutique	132.7	October 31, 2023
First Floor, the ARC, Beach Road, Garapan, Saipan MP 96950	Travel retail boutique	105.4	October 31, 2023
First Floor, the ARC, Beach Road, Garapan, Saipan MP 96950	Travel retail boutique	105.4	October 31, 2023
Second Floor, the ARC, Beach Road, Garapan, Saipan MP 96950	Travel retail boutique	105.9	October 31, 2023
Unit A, Third Floor, TSL Plaza, Beach Road, Garapan, Saipan	Warehousing unit	76.4	October 31, 2023
First Floor, Chamorro House, Lot 002 D14, Garapan	Burger shop	30.0	October 17, 2019
First Floor, Chamorro House, Lot 002 D14, Garapan	Souvenir and amenities store	127.2	August 15, 2021
Managaha Island, Saipan	Restaurant	11,203	Automatically renewable on a monthly basis(1)
Floating dock directly adjacent to *Fiesta Resort Saipan*	*SeaTouch* excursion	1,481	December 2, 2019(2)
Guam			
Unit 145, The Plaza Shopping Center, 1225-1275 Pale San Vitores Road, Tumon, Guam 96913	Travel retail boutique	92.9	August 31, 2019
Shop, The Plaza Shopping Center, 1225-1275 Pale San Vitores Road, Tumon, Guam 96913	Travel retail boutique	185.8	September 30, 2020
Unit 150, The Plaza Shopping Center, 1225-1275 Pale San Vitores Road, Tumon, Guam 96913	Travel retail boutique	49.8	September 30, 2020
Shop, The Plaza Shopping Center, 1225-1275 Pale San Vitores Road, Tumon, Guam 96913	Travel retail boutique	106.8	June 30, 2020

Location	Usage	GFA	Date of expiry
		(sq.m.)	
Space no. 8-C, First Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Travel retail boutique	119.8	Automatically renewable on monthly basis[3]
Space no. 10, First Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Travel retail boutique	86.3	December 31, 2021
Space no. 7-A, First Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Travel retail boutique	167.9	December 31, 2021
Space no. 104, Micronesia Mall, 1088W Marine Corps Drive, Suite 214, Dededo, Guam 96929	Travel retail boutique	111.5	August 31, 2020
Space no. 313, Third Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Office	43.9	Automatically renewable on monthly basis
Space no. 332, Third Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Office	43.9	Automatically renewable on monthly basis
Space no. 336, Third Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Office	32.8	Automatically renewable on monthly basis
Space no. 340, Third Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Office	27.5	Automatically renewable on monthly basis
Space no. 345, Third Floor, Tumon Sands Plaza, Pale San Vitores Road, Tumon, Guam	Office	27.5	Automatically renewable on monthly basis
Space no. T1, Basement Level, The Plaza Shopping Center, 1225-1275 Pale San Vitores Road, Tumon, Guam 96913	Warehousing unit	70.8	November 30, 2020
Hawaii			
Space no. 2249, 1450 Ala Moana Boulevard, Honolulu, Hawaii 96814	Travel retail boutique	210.4	November 30, 2022
Space no. B110c, 2233 Kalakaua Avenue, Building B, Level 1, Honolulu, Hawaii 96815	Travel retail boutique	103.5	July 31, 2020
Space no. 105, 2250 Kalakaua Avenue Honolulu, Hawaii 96815	Travel retail boutique	92.9	May 31, 2019
Shop D, 2005 Kalia Road, Tapa Concourse, Honolulu, Hawaii 96815	Travel retail boutique	79.4	May 31, 2019
Suite 211, 94-792 Lumiaina Street, Waipahu, Hawaii 96797	Travel retail boutique	111.5	June 30, 2020
Suite 102, First Floor, 99-061 Koaha Way, Aiea, Hawaii 96701	Warehousing unit	335.0	April 30, 2021
Suite 410, Fourth Floor, 2233 Kalakaua Avenue, Honolulu, Hawaii 96815	Office and store room	65.9	May 31, 2019
Hong Kong			
5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong	Corporate headquarters	143.7	March 31, 2022

Notes:

(1) The sub-concession for our Managaha restaurant expired on February 28, 2019. We have temporarily extended the sub-concession on a monthly automatic renewal basis pending the formal execution of a new agreement with the new concession owner. See "— A. Hotels & Resorts Sector — Key Operating Metrics — Turnover and Income Source" above for details.

(2) The lease for our *SeaTouch* excursion facilities will expire on December 2, 2019. We will apply for renewal with the CNMI government closer to expiry date. We foresee no material difficulties in renewing these facilities.

(3) The lease for Tumon Sands Boutique 1 expired on December 31, 2018. We have temporarily extended the lease on a monthly automatic renewal basis pending the formal execution of a new long-term lease.

We intend to negotiate for renewal of our leases upon expiry. As of the Latest Practicable Date and save as disclosed above, none of our property interests (1) was subject to any restriction on use, (2) was subject to encumbrances, liens, pledges and mortgages, or (3) involved in any breach of law and regulation (including environmental regulation), title defect, investigation, notice or pending litigation.

LEGAL AND REGULATORY COMPLIANCE

Our leisure tourism business, unlike some of our upstream peers such as airlines, is not heavily regulated in the CNMI and Guam. The material laws and regulations applicable to us are set out in "Laws, Regulations and Taxation". Our CNMI and Guam Legal Adviser has confirmed that we were not in material breach of any applicable laws and regulations of Guam or the CNMI, or any decree applicable to us of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over our business or any of our owned and leased property interests in the CNMI and Guam.

LICENSES AND PERMITS

Our CNMI and Guam Legal Adviser have confirmed that we had obtained all licenses, permits, approvals, consents, certificates, authorizations and registrations (the "**Approvals**") necessary for the due establishment of our subsidiaries and the conduct of our business, and all such Approvals are current and in full force and effect with no legal impediment. All licenses and permits are subject to renewal upon expiry. The table below shows the key licenses and permits we have obtained for our leisure tourism business:-

Saipan	Licenses	Date of issue	Date of expiry
Hotels & Resorts Sector	Alcoholic Beverage Control License for *APHI Saipan*	October 1, 2018	September 30, 2019
	Business Licenses for *Century Hotel*	January 25, 2019	January 25, 2020
	Business Licenses for *Fiesta Resort Saipan*	January 25, 2019	January 25, 2020
	Business Licenses for *Kanoa Resort*	January 25, 2019	January 25, 2020
	Sanitary Permits for *Century Hotel*	March 4, 2019	March 4, 2020
	Sanitary Permits for *Fiesta Resort Saipan*	March 4, 2019	March 4, 2020
	Sanitary Permits for *Kanoa Resort*	November 16, 2018	November 16, 2019
	Business License for a burger shop	January 25, 2019	January 25, 2020
	Sanitary Permit for Managaha restaurant	March 4, 2019	March 4, 2020
Luxury Travel Retail Sector	Business License for *Gemkell Saipan*	July 15, 2018	July 15, 2019
	Business License for Brand A boutique	July 15, 2018	July 15, 2019
	Business License for Brand B boutique	July 15, 2018	July 15, 2019
	Business License for Brand C boutique	July 15, 2018	July 15, 2019
	Business License for Brand D boutique	July 15, 2018	July 15, 2019
Destination Services Sector	Business Licenses for *Century Tours*	January 7, 2019	January 7, 2020
	Business Licenses for *SeaTouch*	November 1, 2018	November 1, 2019
	Business Licenses for *Saipan Adventures*	October 1, 2018	October 1, 2019
	Business License for *JK Marine*	January 15, 2019	January 15, 2020
	Business Licenses for *Let's Go*	December 2, 2018	December 2, 2019

Guam	Licenses	Date of issue	Date of expiry
Hotels & Resorts Sector	Alcoholic Beverage Control Licenses for various restaurants in *Fiesta Resort Guam*	June 21, 2018	June 27, 2019(note)
	Retail Business Licenses for *Fiesta Resort Guam*	May 17, 2018	May 31, 2019(note)
	Service Business Licenses for *Fiesta Resort Guam*	May 17, 2018	May 31, 2019(note)
	Sanitary Permits for *Fiesta Resort Guam*	June 30, 2018	June 30, 2019(note)
Luxury Travel Retail Sector . .	Business License for Brand A boutique	June 28, 2018	May 31, 2019(note)
	Business License for Brand A boutique	August 22, 2018	August 31, 2019
	Business License for Brand C boutique	April 23, 2019	April 30, 2020
	Business License for Brand D boutique	August 22, 2018	August 31, 2019
	Business License for Brand E boutique	May 17, 2018	May 31, 2019(note)
	Business License for Brand F boutique	May 17, 2018	May 31, 2019(note)
	Business License for Brand G boutique	January 12, 2018	May 31, 2019(note)
	Business License for Brand H boutique	May 17, 2018	May 31, 2019(note)

Hawaii	Licenses	Date of issue	Date of expiry
Luxury Travel Retail Sector . .	General Excise Tax Licenses for our boutiques in Hawaii	March, 1 2018	No expiry date

Note: We will apply for the renewal of these licenses (which are typically renewed around 1 or 2 weeks prior to expiry date closer to expiry date). We foresee no material difficulties in renewing these licenses.

LITIGATION AND POTENTIAL CLAIMS

By the nature of our leisure tourism business, from time to time we have been, and may in the future be occasionally, involved in routine legal proceedings or disputes in the ordinary course of business that are common to our industry, such as employment disputes, customer complaints and contractual disputes with our suppliers or service providers. During the Track Record Period and as of the Latest Practicable Date, we were not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against us.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are exposed to various risks during our operations. For details, see "Risk Factors". We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our hotels and resorts operation, the management of our retail outlets, the provision of our destination service offerings, as well as monitoring our cashflow and debt position, among others.

Our Board oversees and manages the risks associated with our business. We have established our Audit Committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of 3 Independent Non-Executive Directors, namely Mr. MA Andrew Chiu Cheung, who serves as chairman, Prof. CHAN Pak Woon David and Mr. CHAN Leung Choi Albert. See "Directors and Senior Management" for details of our Audit Committee's functions and duties.

In order to improve our corporate governance in the future, we have adopted, or expect to adopt before Listing, a series of internal controls policies, procedures and programs designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal controls system include the following:-

— Our Directors and senior management attended a training session in November 2018 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

— We have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure.

— We have implemented internal controls policies in relation to financial management.

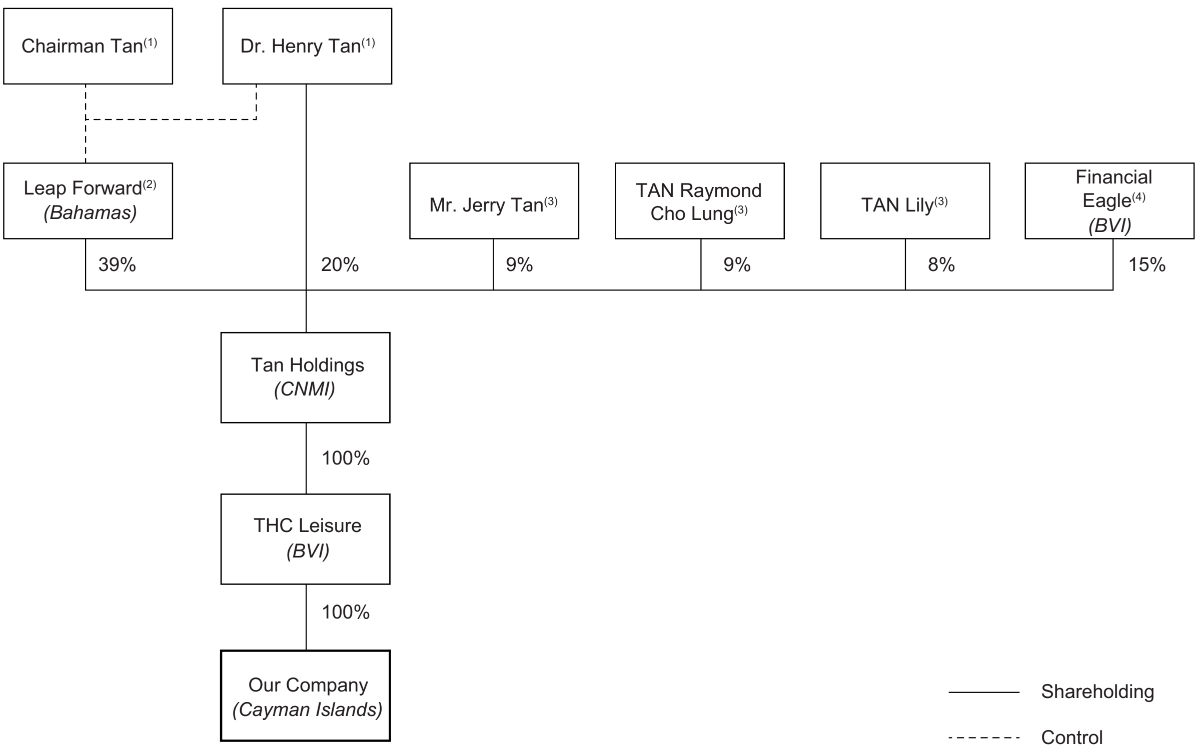
— We have implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our hotels and resorts operation, human resources, payroll, cash management at our point of services and information on technology systems.

We have engaged an internal controls reviewer to perform certain agreed-upon procedures in relation to our internal controls policies with respect to entity-level controls, including financial and accounting procedures, recovery of trade receivables, cash management procedures, procurement procedures, human resources management procedures, fixed asset management procedures and other general control measures. Our internal controls reviewer put forward findings and recommendations in August 2018 based on the review of our internal controls policies. Our Directors have confirmed that we have implemented all of the material rectification and improvement measures, as the case may be, in response to these findings and recommendations.

OVERVIEW

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), THC Leisure will hold 270,000,000 Shares (representing 75% of our enlarged issued share capital). THC Leisure is wholly-owned by Tan Holdings, which in turn is owned as to (1) 20% by Dr. Henry Tan, and (2) 39% by Leap Forward (an entity wholly-owned by a discretionary family trust of the Tan Family). Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward because they form the majority of Leap Forward's board of directors and the protectors of the said discretionary family trust. In addition, Chairman Tan and Dr. Henry Tan act in concert in respect of the affairs of our Group. Accordingly, Chairman Tan, Dr. Henry Tan, THC Leisure, Tan Holdings and Leap Forward together control over 30% of voting rights in our Company and will each be a Controlling Shareholder (within the meanings of the Listing Rules) of our Company upon Listing. Our business will, upon Listing, continue to be independent of, and separate from, the business of our Controlling Shareholders and their close associates. See "Substantial Shareholders" for further details on the shareholding of our Company.

The simplified shareholding relationship among our Company, Chairman Tan, Dr. Henry Tan, THC Leisure, Tan Holdings and Leap Forward immediately upon completion of our Reorganization and before the Capitalization Issue and the Global Offering is shown below:-



Notes:

(1) Chairman Tan (Chairman of our Board and a Non-Executive Director) and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer) act in concert in respect of the affairs of our Group. See " — Controlling Shareholders Acting in Concert" below for details.

(2) Leap Forward is wholly-owned by a discretionary family trust of the Tan Family. Chairman Tan is the settlor. Chairman Tan and Dr. Henry Tan together control the voting rights in Leap Forward, forming the majority of (a) its board of directors, and (b) the protectors of the said discretionary family trust. The beneficiaries are members of the Tan Family.

(3) Mr. Jerry Tan (a member of our senior management), Mr. TAN Cho Lung Raymond and Miss TAN Lily are each a sibling of Dr. Henry Tan and a child of Chairman Tan.

(4) Financial Eagle is wholly-owned by a discretionary family trust of the Tan Family. Dr. Henry Tan is the settlor and Mr. YANG Victor, an independent third party, acts as the protector. The beneficiaries are members of the Tan Family.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

We have been a part of the Tan Family's portfolio of business ventures since our inception in April 1997, with Chairman Tan (Chairman of our Board and a Non-Executive Director), the family patriarch, and his eldest son, Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer), exercising the ultimate control. Chairman Tan's and Dr. Henry Tan's overall management influence and controlling interests over our Group are evidenced by (1) the acting in concert arrangements between Chairman Tan and Dr. Henry Tan in respect of the affairs of our Group, the details of which are set out in "— Controlling Shareholders Acting in Concert" below, and (2) the family consensus within the Tan Family which give Chairman Tan and Dr. Henry Tan ultimate control and final decision-making power over the management, ownership and operations of all family business ventures held under Tan Holdings. Upon Listing, Chairman Tan and Dr. Henry will continue to exercise their ultimate control over our Group within the boundaries of the Listing Rules, Takeovers Code and all other applicable laws and regulations in Hong Kong and elsewhere.

Chairman Tan is a renowned businessman in Hong Kong, China and the Western Pacific Region who has been doing business in these regions for over 40 years. He is the founder, an executive director and the honorary life chairman of Luen Thai Holdings Limited, a multi-national apparel and accessories manufacturer and trader, the shares of which are listed on the Stock Exchange (Stock Code: 311). He also serves on the boards of a number of educational and industrial institutions as well as the Tan Family's various business ventures. Dr. Henry Tan has been doing business in Hong Kong, China and the Western Pacific Region for over 30 years. See "Directors and Senior Management" for their qualifications and experiences. As of the Latest Practicable Date, Dr. Henry Tan had a 8.6% interest in Luen Thai Holdings Limited.

Leap Forward (a private company incorporated in the Bahamas) and Tan Holdings (a private company incorporated in the CNMI) are family investment holding entities of the Tan Family. Their business interests span across a number of industries, such as consumer goods, media, logistics, property investments and fishing in Hong Kong, China and the Western Pacific Region. THC Leisure (a private company incorporated in the BVI) is an investment holding entity incorporated pursuant to our Reorganization. Its only business profile is the interests in our Group.

Save as disclosed above, none of our Controlling Shareholders was interested in more than 5% in any listed public company as of the Latest Practicable Date.

Controlling Shareholders acting in concert

Over the course of our business history, Chairman Tan and Dr. Henry Tan have, in exercising and implementing the management and operations of our Group, been acting in concert with each other. These arrangements are long-standing understanding between Chairman Tan and Dr. Henry Tan and are generally applicable to other family business ventures of the Tan Family.

On November 5, 2018, Chairman Tan and Dr. Henry Tan executed the Deed of AIC Confirmation, a confirmatory deed pursuant to which they have confirmed their acting in concert arrangements in the past as well as their intention to continue to act in the above manner upon Listing to consolidate their control over our Group until and unless the Deed of AIC Confirmation is terminated in writing. The Deed of AIC Confirmation covers our Company, all of our subsidiaries, Leap Forward, Tan Holdings, THC Leisure and all other entities through which they exercise control over our Group, and contains the following salient terms:-

(1) they have agreed to, and shall continue until the termination of the Deed of AIC Confirmation to, consult each other and reach an unanimous consensus among themselves on such matters being the subject matters of any shareholders' resolution, prior to putting forward such resolution to be passed at any shareholders' meeting of our Company and our subsidiaries, and have historically voted on such resolutions in the same way,

(2) they have centralized, and shall continue until the termination of the Deed of AIC Confirmation to centralize, the ultimate control and right to make final decisions with respect to their interests in the businesses and projects of our Company and our subsidiaries, and

(3) they have operated, and shall continue until the termination of the Deed of AIC Confirmation to operate, our Company and our subsidiaries as a single business venture.

By virtue of these acting in concert arrangements, Chairman Tan and Dr. Henry are persons acting in concert with each other under the Takeovers Code.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We are satisfied that we can operate independently of our Controlling Shareholders and their close associates after the Listing on the basis of the following information:-

No competition

Our Controlling Shareholders have a large and diverse portfolio of business ventures in Hong Kong, China and the Western Pacific Region, spanning across a number of industries such as textile, fishing, petroleum, insurance companies, logistics and international freight forwarding, cargo airlines, food and beverage, publishing, real estates and information technology. Our Directors have confirmed that none of our Controlling Shareholders and their close associates conducts business activities that compete, or are likely to compete, either directly or indirectly, with our business.

In April 2018, Tan Holdings, a Controlling Shareholder, through L&T Group of Companies, Ltd., its wholly-owned subsidiary, acquired the asset and operations of Hotel Valentino, a bed and breakfast inn located on the island of Rota, the CNMI. Hotel Valentino offers 26 rooms, a gift shop and a small restaurant and targets towards the budget-market travelers in Rota. Based on its unaudited management accounts for the financial year ended December 31, 2018, it operated in a net loss position of around US$70,000. Its standard rooms are generally offered at around US$60 to US$80 per room night, based on information available on various online booking channels.

Our Controlling Shareholders have no intention to transfer Hotel Valentino to us. Our Directors (including our Independent Non-Executive Directors) are of the view that Hotel Valentino, though related to the hotels and resorts industry in the Western Pacific Region, is separate, distinct and clearly delineated from our leisure tourism business, particularly our 4 hotels and resorts in Saipan and Guam for the following basis:-

— ***Separate geographical location.*** Hotel Valentino is located on the island of Rota, 1 of the many islands of the CNMI. We do not have any hotel, resort or other forms of holiday accommodation in Rota and have no current plan to venture into Rota. Likewise, our Controlling Shareholders also do not own any other hotel, resort or other forms of holiday accommodation in the CNMI, Guam and elsewhere other than our Group and Hotel Valentino. Rota is only accessible by air from Saipan and Guam through a few daily turboprop flights with a capacity of 8 passengers each, which could not bring in sufficient international travelers from our key markets such as China, South Korea and Japan to meaningfully compete with us.

— ***Separate targeted clientele***. With a population of around 2,000, Rota is relatively undeveloped as a tourism destination that is centered principally around its diving spots. As such, Hotel Valentino also has a specialist niche as divers' inn, which is distinct from the traveler base of both Saipan and Guam as destinations and our hotels and resorts (which is mainly families and couples looking for an all-round beach holiday experiences completed with shopping, excursion tours and other entertainment options).

— ***Different trade names.*** Hotel Valentino operates as an independent operation with a different name, which is clearly distinguished from and highly unlikely to be perceived as being related to, our hotels and resorts.

— ***Distinct market position***. Our 4 hotels and resorts in Saipan and Guam recorded an ARR of US$140.0 for the financial year ended December 31, 2018. Hotel Valentino, on the other hand, is a budget-market bed and breakfast inn offering accommodation at around US$60 to US$80 per night.

— ***Scale of operations***. Hotel Valentino is a 26-room facility, which is not in a position to meaningfully compete with our hotels and resorts portfolio of 991 rooms as of the Latest Practicable Date.

Our Directors have confirmed that the hypothetical inclusion of Hotel Valentino into our Group would not have affected our ability to satisfy the minimum profit requirement under Rule 8.05(1) of the Listing Rules. Based on the above, our Directors (including our Independent Non-Executive Directors) do not consider that Hotel Valentino competes, or is likely to compete, either directly or indirectly, with our Group.

Management independence

We have a Board and senior management team that function independently of our Controlling Shareholders and their close associates. We have 9 Directors, comprising 4 Executive Directors, 2 Non-Executive Directors and 3 Independent Non-Executive Directors. Dr. Henry Tan and Mr. Chiu, our Executive Directors, hold directorship and other executive roles in various business ventures of the Tan Family in Hong Kong, China and the Western Pacific Region. Dr. Henry Tan is also a director of THC Leisure, Tan Holdings and Leap Forward, each a Controlling Shareholder. As Executive Directors, they will participate in the strategic planning, business oversight and general management of our Group. They however have historically been devoting, and will continue upon Listing to devote, sufficient time and capacity for the affairs of our Group. Mrs. Su Tan and Mr. SCHWEIZER Jeffrey William, our other Executive Directors, do not hold directorship or senior management position in other business ventures of our Controlling Shareholders and their close associates. They will devote full-time capacity to the affairs of our Group.

Chairman Tan and Mr. Willie Tan, our Non-Executive Directors, have directorship in various business ventures of the Tan Family in Hong Kong, China and the Western Pacific Region. Chairman Tan also holds directorships in Tan Holdings and Leap Forward, each a Controlling Shareholder. Notwithstanding their other roles and functions with our Controlling Shareholders and their close associates, Chairman Tan and Mr. Willie Tan will be sufficiently involved in performing supervisory and advisory functions over our business and operations as Non-Executive Directors. Chairman Tan, Dr. Henry Tan, Mr. Willie Tan and Mr. Chiu each has a long-standing track record in managing our Group along with the Tan Family's other business ventures. In particular, Chairman Tan, Dr. Henry Tan and Mr. Willie Tan have had experiences in managing Luen Thai Holdings Limited (the shares of which are listed on the Stock Exchange) while devoting sufficient time to the family's other businesses, many of which are sizeable and profitable.

We have 3 Independent Non-Executive Directors, which satisfies the ratio required under the Listing Rules. Upon Listing, there will be a sufficiently robust and independent voice within our Board to counter balance any situation involving conflict of interest and protect the interests of our independent Shareholders.

The senior management team of our Company comprises 2 members. In particular, Miss CHEUNG Pik Shan Bonnie, our Group Financial Controller does not have any role or function, executive or non-executive in any other business interest of our Controlling Shareholders and their close associates. Her responsibilities include dealing with our accounting, financial, compliance and investor relations matters.

The table below shows the overlapping directors of our Company, THC Leisure, Tan Holdings and Leap Forward:-

Our Company	**THC Leisure**	**Tan Holdings**	**Leap Forward**
Chairman Tan *Chairman and Non-Executive Director*	*Nil*	Chairman Tan *Director*	Chairman Tan *Director*
Dr. Henry Tan *Executive Director, Vice Chairman and Chief Executive Officer*	Dr. Henry Tan *Director*	Dr. Henry Tan *Director*	Dr. Henry Tan *Director*
Mr. Willie Tan *Non-Executive Director*	*Nil*	Mr. Willie Tan *Director*	*Nil*

We consider that our Board and senior management will function independently from each of our Controlling Shareholders because:-

— Each Director is aware of his/her fiduciary duties as Director which require, among other things, that he/she acts for the benefits and in the best interests of our Company and Shareholders as a whole and does not allow any conflict between his/her duties as Directors and his/her other interests.

— Chairman Tan (Chairman of our Board and a Non-Executive Director), Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer), Mr. Chiu (an Executive Director) and Mr. Willie Tan (a Non-Executive Director) have been managing the Tan Family's business ventures in Hong Kong, China and the Western Pacific Region (including our Group) for more than 30 years, during which they have been successful in allocating their time and efforts among these business ventures. They hold various directorship and senior management roles in our Controlling Shareholders and their close associates and will remain in such position after the Listing. They will focus on setting the strategic vision, direction and goals for these business ventures, and their roles and functions in these business ventures are not expected to be onerous on a daily basis. They have confirmed that they will continue to devote sufficient time and attention to the affairs of our Group. As Non-Executive Directors, Chairman Tan and Mr. Wille Tan will focus on strategic development of our Group and will not be involved in day-to-day management.

— Mrs. Su Tan and Mr. SCHWEIZER Jeffrey William, our other Executive Directors, do not hold directorship or senior management in other business ventures of our Controlling Shareholders and their close associates. They will devote full-time capacity to the affairs of our Group.

— We have 3 Independent Non-Executive Directors out of 9 Directors in satisfaction of the ratio required under the Listing Rules. They have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

— Miss CHEUNG Pik Shan Bonnie, our Group Financial Controller, does not have any role or function in any other business ventures of our Controlling Shareholders and their close associates.

— Pursuant to our Articles, a Director who is to his/her knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company, shall declare the nature of his/her interest in the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he/she knows his/her interest then exists, or in any other case, at the first meeting of our Board after he/she knows that he/she is or has become so interested. Our Articles do not require such a Director who is so interested not to attend any meeting of our Board. However, a Director shall not be entitled to vote (nor be counted in the quorum) on a resolution of our Directors in respect of any board resolution approving any contract or arrangement or any proposal in which he or any of his/her close associates is materially interested unless expressly permitted by our Articles. See "Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law".

— Whether a Director is conflicted on any matter depends on the particular circumstances of the matter under consideration. The fact that a Director also has directorship in other companies does not create a conflict of interest unless the matter under consideration involves his/her personal interests or those of the other companies as well as our Group,

— Our Directors will ensure that matters involving a conflict of interest which may arise from time to time will be managed in line with accepted corporate governance practice so as to ensure that the best interests of our Company and Shareholders taken as a whole are preserved,

— Following the Listing, our Directors are required to comply with the Listing Rules. This includes review of connected transactions by our Independent Non-Executive Directors and where appropriate, independent financial advice and independent Shareholders' approval will be required, and

— In order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, we will engage a third-party professional adviser to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between us and our Directors or their respective close associates.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles as Directors independently and manage our business independently from our Controlling Shareholders and their close associates after the Listing.

In particular, 3 out of our 4 Executive Directors and all of our Non-Executive Directors are family members of Chairman Tan and Dr. Henry Tan, each a Controlling Shareholder. They each have, directly or on a discretionary basis, an interest in the counter-parties of our continuing connected transactions set out in "Continuing Connected Transactions" (with the exception of QZ Tours) and are required to abstain from voting on these transactions under our Articles. Our Directors (including our Independent Non-Executive Directors) consider that we will be able to function properly and orderly and it is appropriate to entrust our remaining non-interested Executive Director and Independent Non-Executive Directors to consider, deliberate and approve our continuing connected transactions because (1) our non-interested Executive Director and Independent Non-Executive Directors of 4 exceeds the Board meeting quorum of 2 Directors as prescribed in our Articles, (2) our continuing connected transactions are recurring in nature and their terms and conditions are generally negotiated and agreed annually. In practice, our non-interested Executive Director and Independent Non-Executive Directors would approve our continuing connected transactions on an annual basis, giving our other Executive Directors and senior management the operating flexibility and a general mandate to execute and carry out these transactions within the boundary of the approved terms and conditions, (3) the obligations of our Independent Non-Executive Directors are no more onerous than those imposed under the annual review requirement of Rule 14A.55 of the Listing Rules, which provides that they must meet annually to review and give confirmations on our continuing connected transactions, and (4) the abstention of our Executive Directors and Non-Executive Directors is analogous to certain notifiable and connected transactions under Rules 14A.40 to 14A.43 of the Listing Rules, which require an independent board committee to consider and approve the relevant transactions and, where applicable, provide independent advice to the independent shareholders.

Financial independence

We have our own financial management system and we make financial decisions according to our own business needs. Upon Listing, we will have no loans, advances and balances due to and from our Controlling Shareholders and their close associates (e.g., shareholder loan) and there will be no share pledges and guarantees provided by and to our Controlling Shareholders and their close associates on our Group's borrowings. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to manage the conflict of interests arising from the possible competing business of our Controlling Shareholders and to safeguard the interests of our independent Shareholders:-

— In preparation for the Listing, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, except for certain exceptions permitted under the Listing Rules or the Stock Exchange, a Director shall not vote on any Board resolution approving any contract in relation to which he/she has a material interest, nor shall such Director be counted in the quorum present at that meeting. Furthermore, a Director who holds directorship and/or senior management positions in our Controlling Shareholders or any of its close associates (other than our Company or any member of our Group) shall not vote on any Board resolution regarding any transactions proposed to be entered into between any member of our Group and our Controlling Shareholders or any of its close associates (other than our Company or any member of our Group), nor shall such Director be counted in the quorum present at such meeting.

— We have appointed Elstone Capital Limited as our compliance adviser, which will provide advice and guidance to us with respect to compliance with the Listing Rules and other applicable laws and regulations, including but not limited to various requirements relating to Directors' duties and internal controls.

— The management structure of our Group includes our Audit Committee, Remuneration Committee and Nominating Committee, the written rules of each of which will require them to be alert to potential conflict of interests and to formulate their proposals accordingly.

— Pursuant to the Corporate Governance Code set out in Appendix 14 of the Listing Rules, our Directors, including our Independent Non-Executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

Our Company expects to comply with the Corporate Governance Code which sets out principles of good corporate governance in relation to, among others, Directors, chief executive, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communication with our Shareholders. Our Company will state in our interim and annual reports whether we have compiled with such code, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

OVERVIEW

The Tan Family has a diverse portfolio of businesses and investments in Saipan and Guam. In the ordinary and usual course of our leisure tourism business in Saipan and Guam, we have entered into certain transactions with entities controlled and owned by the Tan Family and the private investments of its individual family members which will, upon Listing, become our connected persons within the meanings given under Chapter 14A of the Listing Rules. These transactions will continue after the Listing and will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules. Details of these transactions are set out below.

Our Directors consider that our Group does not unduly rely on these continuing connected transactions as a whole. Throughout the Track Record Period and on an aggregated annual basis, the amounts paid or payable by us to our connected persons did not exceed 7% of our total operating expenses, and the amounts received or receivable by us from our connected persons did not exceed 17% of our revenue. Except as set out below, all related party transactions disclosed in Note 31 of the Accountant's Report will be discontinued after the Listing.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Transactions subject to Shareholders' approvals

Upon completion of the Global Offering and Listing, the following transactions will constitute continuing connected transactions subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements under Chapter 14A of the Listing Rules:-

(a) ***Holiday packages***

Background and nature: In our ordinary and usual course of business, we enter into sales agreements with QZ Tours, pursuant to which QZ Tours (1) reserves in bulk accommodation in our hotels and resorts, (2) purchases meal coupons from our on-site restaurants and our self-operated excursion tours, and (3) procures destination-based, concierge and travel management services from our Destination Services Sector (the "**Holiday Package Transactions**"). These travel products and services are often bundled by QZ Tours into holiday packages and on-sold to its customers. The Holiday Package Transactions relate to our operations in Saipan only.

QZ Tours is a tour operator based in Beijing, China. During the Track Record Period, QZ Tours was our largest customer (by revenue contribution), accounting for 14.2%, 11.2% and 11.4% of our revenue, respectively, for the 3 financial years ended December 31, 2018.

We intend to continue with the Holiday Package Transactions with QZ Tours, taking into account our long-time, mutually beneficial collaboration for more than 5 years and QZ Tours' bulk purchase volume which gives us a stable volume from which we optimize our revenue and yield and hedge our risks against the cyclical and seasonal downside of the leisure tourism market in Saipan. See "Business — Sales — Booking Channels — Tour Operations — QZ Tours" for details of our relationship with QZ Tours.

Connected person relationship:

QZ Tours is owned as to 99% by Mr. ZHOU Xindong (周新東先生), who is in turn a brother-in-law of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). QZ Tours is thus a majority-controlled corporation of a deemed connected person of our Company under Rule 14A.21(1)(a) of the Listing Rules, and thus a deemed connected person of our Company under Rule 14A.21(1)(b) of the Listing Rules.

Historical transaction amounts:

The aggregate amounts received by us from QZ Tours under the Holiday Package Transactions for the 3 financial years ended December 31, 2018 are as follows:-

Financial year ended December 31		
2016	**2017**	**2018**
(US$'000)	*(US$'000)*	*(US$'000)*
11,574	10,032	11,467

The amounts of the Holiday Package Transactions with QZ Tours decreased gradually during the Track Record Period as we diversified our booking channels, particularly in light of the growing popularity of online travel agents (OTAs).

Annual caps:

We estimate that our annual transaction amounts with QZ Tours under the Holiday Package Transactions will not exceed the following annual caps for the 3 financial years ending December 31, 2021:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
12,211	11,793	12,498

In the event that the aggregate amounts under the Holiday Package Transactions with QZ Tours in any particular year exceed the annual caps above, we will take appropriate action to comply with the relevant requirements under the Listing Rules in respect of any and all amounts in excess.

Basis of annual caps:

In arriving at the above annual caps, our Directors have considered factors including historical amounts under the Holiday Package Transactions, estimated level of demand for our tourism products and services in the future, the growing leisure tourism market in Saipan as projected by our Industry Consultant as set out in "Industry Overview", as well as projected inflation.

In particular, our Directors have taken into account (1) asset rejuvenation plan of our *Fiesta Resort Saipan* and *Kanoa Resort*, which will result in partial closure of our hotels and resorts for renovation works to take place, (2) the expected increase in ARR of these hotels and resorts upon completion of renovation works, and (3) our planned sales and marketing efforts which will see a growing focus on OTAs and direct booking channels. See "Business — Strategies on Future Business Development" for details.

Specifically, the annual caps above have been arrived at on the basis that (1) the amount of Holiday Package Transactions will increase slightly in 2019, due to the overall growth of ARR in the hotels and resorts industry in Saipan, (2) the amount of Holiday Package Transactions will decrease moderately in 2020 due to the impacts of our asset rejuvenation plan on the occupancy rate and ARR of our *Fiesta Resort Saipan*, (3) the amount of Holiday Package Transactions in 2021 will increase moderately due to the higher room rates we would be able to command for our renovated rooms as we continue to implement our asset rejuvenation plan (the growth in room rates will however be partially offset by the asset rejuvenation plan of our *Kanoa Resort*). We expect that the revenue contribution of the Holiday Package Transactions in 2019, 2020 and 2021 will remain at a level comparable to the Track Record Period, and will gradually decrease from 2022 onwards as we diversify our booking channel mix to sell and market our upgraded accommodation and service offering. Our Directors consider that the annual caps above are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules.

Listing Rules implications:

Based on the historical transaction amounts and the annual caps that have been proposed, we expect that the total transaction amounts under the Holiday Package Transactions will, on an annual basis, exceed HK$10 million after the Listing, notwithstanding that none of the percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules will exceed 25%.

Accordingly, the Holiday Package Transactions will constitute non-exempt continuing connected transactions of our Group and subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements under Chapter 14A of the Listing Rules.

Pricing policy and principal terms:

The Holiday Package Transactions were governed by sales agreements that are negotiated and typically signed on an annual basis during the Track Record Period. Generally and in line with our sales and marketing policies, the terms and conditions of the Holiday Package Transactions (including pricing, credit, payment and cancellation terms) are determined annually based on arm's length commercial negotiations with QZ Tours with reference to (1) above all, the purchase volume of QZ Tours, (2) our projected occupancy and other operating conditions, (3) the rates, terms and conditions offered by our competitors to QZ Tours and other tour operators, (4) the rates we offer through various booking channels and our intended level of profits, and (5) the general market conditions, trends, seasonality, pricing and marketing landscape in the leisure tourism market in Saipan.

During the Track Record Period, the commercial terms we offered to QZ Tours were substantially the same as those we offered to other independent tour operators (including those which also placed bulk bookings with us), with the exception of the following differences. Notwithstanding these different terms, which were granted due to above all its bulk purchase volume, we consider that our transactions with QZ Tours have been in normal commercial terms that are commensurate with industry norms.

— We generally offer discount to tour operators which place bulk bookings with us. The level of such discount is determined primarily based on the level of bulk bookings placed with us. For potential investors' reference, for the financial year ended December 31, 2018, QZ Tours (which accounted for 11.4% of our revenue) generally enjoyed a discount of around 12% to our ARR, while the other top independent tour operators (which contributed to 2.3% to 2.7% of our revenue) enjoyed an average discount of around 9% to our ARR.

— Only QZ Tours may extend its guest room check-out time until mid-night at a special late night charge which represented a portion of the room extension rate we offered to other independent tour operators. This was principally to cater to the late-night departures of flights between Saipan and China.

— Only QZ Tours had the option to increase its room allocation in the event that it has secured additional charter flights between Saipan and China.

— QZ Tours was given a cancellation or release date of as short as 5 days prior to guest check-in depending on seasonality, which was shorter than the average 10 to 28 days period we typically offered to other independent tour operators.

— Only QZ Tours had the option to guarantee a room reservation without providing guest names.

Notwithstanding the differences in the terms we offer to QZ Tours and other independent tour operators set out above, our Directors consider that our transactions with QZ Tours have been on normal commercial terms because:-

— The different terms we offered to QZ Tours were determined principally with reference to the level of its bulk bookings, which is commensurate with the practices of the global hotels and resorts industry according to our Industry Consultant. None of the other tour operators (including those which also placed bulk bookings with us) had placed bookings on a comparable level to that of QZ Tours during the Track Record Period. For the financial year ended December 31, 2018, QZ Tours contributed 11.4% of our revenue, whereas the next largest tour operator (Customer A) accounted for only 2.7% of our revenue.

— The average ARR discount rate offered to QZ Tours is in line with the pricing terms offered by our global peers to their tour operator(s) with a revenue contribution of around 10%, according to our Industry Consultant. As mentioned above, we also generally offer discount to other tour operators which place bulk bookings with us and such discount is primarily determined based on the level of purchase volume.

— The other terms offered to QZ Tours, such as late check-out, extension of stay and cancellation policy serve as an incentive for QZ tour to continue placing bulk bookings with us at its current level and do not have a material impact on our operations, as evidenced by the consistent bulk purchase volume by our tour operators and our consistently high occupancy rate during the Track Record Period.

Our Directors will consider offering these or other commercial terms to QZ Tours after the Listing based on its annual purchase volume and our own operating conditions in the same way they do for other independent tour operators. When doing so, our Directors must disregard the deemed connected person relationship between us and QZ Tours.

Our Directors have confirmed that the terms and conditions under the Holiday Package Transactions have been (1) on normal commercial terms and fair and reasonable, and (2) no less favorable to us than those we offer to other independent tour operators, taking into account the bulk purchase volume of QZ Tours.

Framework agreement: To ensure compliance with Chapter 14A of the Listing Rules, we have entered into the QZ Framework Agreement on April 9, 2019 with effect from the Listing Date. The QZ Framework Agreement provides that, among others, the Holiday Package Transactions must be (1) in writing, (2) in our ordinary and usual course of business, (3) on normal commercial terms (4) in compliance with all applicable provisions under the Listing Rules, (5) within the annual caps stated above (or upon us taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (6) no less favorable to us when compared with terms we offer to other independent tour operators of comparable purchase volume. The QZ Framework Agreement specifically provides that any commercial terms that are different to those we offer to other independent tour operators must be offered to QZ Tours based on arm's length commercial negotiations principally with reference to its bulk purchase volume and our own operating conditions. In doing so, our Directors must specifically disregard the deemed connected person relationship between us and QZ Tours.

To further safeguard the reasonableness and fairness of the Holiday Package Transactions, the QZ Framework Agreement further provides that all annual sales agreements and individual purchase orders exceeding HK$3 million on an annual aggregate basis must receive specific and express approval from our Audit Committee comprising only Independent Non-Executive Directors. Our Directors consider that the HK$3 million annual threshold is fair and reasonable given that it is the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules.

The QZ Framework Agreement will expire on December 31, 2021 and is automatically renewable for successive periods of 3 years subject to compliance with the applicable provisions under the Listing Rules. In addition, the QZ Framework Agreement (1) may be terminated by either party giving no less than a month's prior notice, (2) will be automatically terminated if QZ Tours ceases to be a deemed connected person under the Listing Rules, (3) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (4) may be terminated if either party becomes a subject of insolvency or liquidation.

At any time during the term of the QZ Framework Agreement, we may from time to time enter into annual sales agreements and/or individual purchase orders with QZ Tours for so long as they comply with the provisions of the QZ Framework Agreement and the Listing Rules.

The QZ Framework Agreement provides the flexibility for us to, subject to approval from our Audit Committee comprising only Independent Non-Executive Directors, enter into the Holiday Package Transactions in the form of annual sales agreements or individual purchase orders based on our operating conditions, and regulates the Holiday Package Transactions within the boundary of the Listing Rules.

Reasons and benefits: Our Directors consider that the Holiday Package Transactions are in the interests of our Group and Shareholders as a whole taking into account our long-time, mutually beneficial collaboration for more than 5 years and QZ Tours' bulk purchase volume which gives us a stable volume from which we optimize our revenue and yield and hedge our risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

(b) ***Medical insurance***

Background and nature: In our ordinary and usual course of business, we purchase medical and dental insurance coverage (the "**Medical Insurance**") for our employees from TakeCare Insurance Company, Inc. ("**TakeCare**"). Employees also has the option to enhance his/her coverage and benefits and/or extend the Medical Insurance to his/her family members by paying additional insurance premium, which would be settled through our Group initially and deducted from their salary (the "**Additional Coverage**"). The insurance premium payable by us to TakeCare has been no less favorable compared to other independent insurers.

TakeCare is one of the leading medical and dental insurers in Saipan and Guam with a sizable network of clinics. We intend to continue with the maintenance of Medical Insurance with TakeCare after the Listing.

Connected person relationship: TakeCare is a 30%-controlled corporation of Chairman Tan (the Chairman of our Board, a Non-Executive Director and a Controlling Shareholder) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). TakeCare is thus an associate of a connected person under Rule 14 A.12(1)(c) of the Listing Rules.

Historical transaction amounts:

The aggregate amounts paid by us to TakeCare as Medical Insurance premium (including the Additional Coverage amounts) for the 3 financial years ended December 31, 2018 are as follows:-

Financial year ended December 31		
2016	**2017**	**2018**
(US$'000)	*(US$'000)*	*(US$'000)*
1,501	1,805	1,912

The amounts of Medical Insurance premium paid to TakeCare increased gradually during the Track Record Period in line with the growth of our number of staff and improvement of our benefit package.

Annual caps:

We estimate that our annual transaction amounts with TakeCare in aggregate as Medical Insurance premium (including the Additional Coverage amounts will not exceed the following annual caps for the 3 financial years ending December 31, 2021:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
1,957	2,196	2,444

In the event that the aggregate amounts as Medical Insurance premium paid to TakeCare in any particular year exceed the annual caps above, we will take appropriate action to comply with the relevant requirements under the Listing Rules in respect of any and all amounts in excess.

Basis of annual caps:

In arriving at the above annual caps, our Directors have considered factors including historical amounts as Medical Insurance premium (including the Additional Coverage amount), our estimated operational needs in the future, the growing leisure tourism market in Saipan and Guam as projected by our Industry Consultant and set out in "Industry Overview", projected inflation, as well as the prevailing insurance premium offered by TakeCare. Our Directors consider that the annual caps above are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules. Specifically, we have taken into account our asset rejuvenation plan, which will require additional headcounts and the need for corresponding medical benefits for these new staff members and their family members to tend to our upgraded accommodation and service offering.

Listing Rules implications: Based on the historical transaction amounts and the annual caps that have been proposed, we expect that total transaction amounts under the Medical Insurance will, on an annual basis, exceed HK$10 million notwithstanding that none of the percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules will exceed 25%. Accordingly, the Medical Insurance will constitute non-exempt continuing connected transactions of our Group and subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements.

Pricing policy and principal terms: The Medical Insurance was governed by individual insurance policies with TakeCare during the Track Record Period. When making a decision to maintain Medical Insurance with TakeCare, we engage on a case-by-case basis in arm's length commercial negotiations with reference to (1) the insurance premium and extent of coverage offered by TakeCare as well as other independent insurers, (2) our number of employees and policies on staff benefits, and (3) our own budget and financial position.

Our Directors have confirmed that the terms and conditions under the Medical Insurance and the premium payable thereunder have been (1) on normal commercial terms and fair and reasonable, and (2) no less favorable to those offered by other independent insurers.

Framework agreement: To ensure compliance with Chapter 14A of the Listing Rules, we have entered into a framework agreement with TakeCare (the "**TakeCare Framework Agreement**") on April 9, 2019 with effect from the Listing Date. The TakeCare Framework Agreements provide that, among others, the Medical Insurance must be taken up (1) in writing, (2) in our ordinary and usual course of business, (3) on normal commercial terms (4) in compliance with all applicable provisions under the Listing Rules, (5) within the annual caps stated above (or upon us taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (6) no less favorable to those offered by other independent insurers.

The TakeCare Framework Agreement will expire on December 31, 2021 and is automatically renewable for successive periods of 3 years subject to compliance with the applicable provisions under the Listing Rules. In addition, the TakeCare Framework Agreement (1) may be terminated by either party giving no less than a month's prior notice, (2) will be automatically terminated if TakeCare ceases to be a connected person under the Listing Rules, (3) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (4) may be terminated if either party becomes a subject of insolvency or liquidation.

At any time during the term of the TakeCare Framework Agreement, we may from time to time enter into individual insurance policies with TakeCare for so long as they comply with the provisions of the TakeCare Framework Agreement and the Listing Rules.

The TakeCare Framework Agreement provides the flexibility for us to take up Medical Insurance in the form of individual policies based on our prevailing operating conditions, and regulates the Medical Insurance within the boundary of the Listing Rules.

Reasons and benefits: Our Directors consider that the Medical Insurance is in the interests of our Group and Shareholders as a whole taking into account the scale and quality of TakeCare's operations in Saipan and Guam as well as the insurance premium and extent of coverage it offers.

Transactions exempt from Shareholders' approvals

Upon completion of the Global Offering and Listing, the following transactions will constitute continuing connected transactions subject to the written agreement, announcement, annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements, but exempt from the Shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

(c) ***Consumer goods***

Background and nature: In our ordinary and usual course of business, we procure from Cosmos Distributing Co. (Saipan) Ltd. ("**Cosmos Saipan**"), Cosmos Distributing Co., Ltd. ("**Cosmos Guam**") and D&Q Co., Ltd. ("**D&Q**") miscellaneous supplies of consumer goods, such as linens, towels, detergents and food and beverage ingredients, principally for our hotels and resorts operations (the "**Consumer Goods Transactions**"). The amounts payable by us to Cosmos Guam, Cosmos Saipan and D&Q under the Consumer Goods Transactions have been more favorable to us compared to our other independent suppliers.

In mid-2017, Cosmos Saipan ceased to operate and its wholesale business was transferred to and taken up by D&Q. Each of Cosmos Guam and D&Q is a consumer goods wholesaler in Saipan and Guam of significant scale. We intend to continue with the Consumer Goods Transactions after the Listing to support our leisure tourism operations.

Connected person relationship: Cosmos Saipan is owned as to 70% by Tan Holdings (a Controlling Shareholder) and 30% by Mr. Chiu (an Executive Director).

Cosmos Guam is owned as to 82.9% indirectly by Tan Holdings (except for 7 qualifying shares in L&T (Guam) Corporation) (a Controlling Shareholder) and 17.1% by Mr. Chiu (an Executive Director).

D&Q is owned as to 80% indirectly by Tan Holdings (except for the 7 qualifying shares in L&T (Guam) Corporation) (a Controlling Shareholder), 10% by Mr. Chiu (an Executive Director) and 10% by an independent third party.

Each of Cosmos Saipan, Cosmos Guam and D&Q is thus a 30%-controlled corporation of a connected person of our Group and an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules.

Historical transaction amounts:

The aggregate amounts paid by us to Cosmos Saipan, Cosmos Guam and D&Q in aggregate under the Consumer Goods Transactions for the 3 financial years ended December 31, 2018 are as follows:-

Financial year ended December 31		
2016	**2017**	**2018**
(US$'000)	*(US$'000)*	*(US$'000)*
842	825	846

As demonstrated above, the amounts of Consumer Goods Transactions had remained relatively stable during the Track Record Period.

Annual caps:

We estimate that our annual transaction amounts with Cosmos Guam and D&Q (taking into account the Consumer Goods Transactions previously undertaken by Cosmos Saipan and transferred to D&Q) in aggregate under the Consumer Goods Transactions will not exceed the following annual caps for the 3 financial years ending December 31, 2021:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
989	1,038	1,090

In the event that the aggregate amounts under the Consumer Goods Transactions with Cosmos Guam and D&Q in aggregate in any particular year exceed the annual caps above, we will take appropriate action to comply with the relevant requirements under the Listing Rules in respect of any and all amounts in excess.

Basis of annual caps:

In arriving at the above annual caps, our Directors have considered factors including historical amounts under the Consumer Goods Transactions, our estimated operational needs in the future, the growing leisure tourism market in Saipan and Guam as projected by our Industry Consultant and set out in "Industry Overview", projected inflation, as well as the prevailing rates offered by Cosmos Guam and D&Q. Our Directors consider that the annual caps above are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules.

In particular, our Directors have taken into account the asset rejuvenation plan of our *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam*, which will result in the necessary operational upgrade in our hotels and resorts, for example, new linens, upgraded amenities and culinary options of higher quality.

Listing Rules implications:

Based on the historical transaction amounts and the annual caps that have been proposed, we expect that on an annual basis, all of the percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Consumer Goods Transactions will be less than 5%, and their total transaction amount will be more than HK$3 million but less than HK$10 million. Accordingly, the Consumer Goods Transactions will constitute non-exempt continuing connected transactions of our Group and subject to the written agreement, announcement, annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements but exempt from the Shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Pricing policy and principal terms:

The Consumer Goods Transactions were governed by individual purchase orders during the Track Record Period. Generally and in line with our procurement policies, the terms and conditions of the Consumer Goods Transactions (including pricing, credit and payment terms) are determined on a case-by-case basis based on arm's length commercial negotiations with each of Cosmos Saipan, Cosmos Guam and D&Q with reference to (1) volume of procurement, (2) nature and requirements of supplies, (3) prices otherwise offered by other independent consumer goods wholesalers, (4) prevailing rates offered by each of Cosmos Saipan, Cosmos Guam and D&Q for supplies to us, and (5) our own budget and financial conditions.

Our Directors have confirmed that the terms and conditions under the Consumer Goods Transactions have been (1) on normal commercial terms and fair and reasonable, and (2) no less favorable to us than those offered by other independent consumer goods wholesalers.

Framework agreement:

To ensure compliance with Chapter 14A of the Listing Rules, we have entered into a framework agreement with each of Cosmos Guam and D&Q (the "**Consumer Goods Framework Agreements**") on April 9, 2019 with effect from the Listing Date. The Consumer Goods Framework Agreements provide that, among others, the Consumer Goods Transactions must be (1) in writing, (2) in our ordinary and usual course of business, (3) on normal commercial terms (4) in compliance with all applicable provisions under the Listing Rules, (5) within the annual caps stated above (or upon us taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (6) no less favorable to us than those offered by other independent consumer goods wholesalers. When calculating the annual caps, we have taken into account the Consumer Goods Transactions previously undertaken by Cosmos Saipan and transferred to D&Q.

The Consumer Goods Framework Agreements will expire on December 31, 2021 and are automatically renewable for successive periods of 3 years subject to compliance with the applicable provisions under the Listing Rules. In addition, the Consumer Goods Framework Agreements (1) may be terminated by either party giving no less than a month's prior notice, (2) will be automatically terminated if, in respect of their respective agreement with us, Cosmos Guam or D&Q (as the case may be) ceases to be a connected person under the Listing Rules, (3) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (4) may be terminated if either party becomes a subject of insolvency or liquidation.

At any time during the term of the Consumer Goods Framework Agreements, we may from time to time enter into individual purchase orders with Cosmos Guam and D&Q for so long as they comply with the provisions of the Consumer Goods Framework Agreements and the Listing Rules.

The Consumer Goods Framework Agreements provide the flexibility for us to enter into the Consumer Goods Transactions in the form of individual purchase orders based on our prevailing operating conditions, and regulates the Consumer Goods Transactions within the boundary of the Listing Rules.

Reasons and benefits: Our Directors consider that the Consumer Goods Transactions are in the interests of our Group and Shareholders as a whole taking into account the scale of the operations and quality of supplies of Cosmos Guam and D&Q in Saipan and Guam and the favorable rates and terms offered to us. Cosmos Guam and D&Q also do not impose on us a minimum purchase amount and offer us favorable credit and payment terms compared to other independent suppliers.

(d) ***Leased premises***

Background and nature: We, as tenants, have entered into tenancy agreements with Beach Road Tourism Development, Inc. ("**Beach Road Tourism**"), L&T Group of Companies, Ltd ("**L&T Group**") and Luen Thai International Development Limited ("**Luen Thai International**") to lease certain premises as travel retail boutiques, a souvenir and amenities store, a burger joint, a warehousing unit in Saipan, and our corporate headquarters in Hong Kong. We, as landlord, have also entered into a concession agreement with Strategic Gaming Solutions, Inc. ("**Strategic Gaming**"), to lease a premise within our *Kanoa Resort* as an amusement and gaming center operated by Strategic Gaming. These tenancy agreements and concession agreement (together, the "**Connected Tenancy Agreements**") were entered into by us having considered, among others, the locations of these premises and the rental level agreed with Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming. The Connected Tenancy Agreements were entered into in the ordinary and usual course of our business. The table below shows a summary of the Connected Tenancy Agreements:-

Landlord	Tenant	Location	Size	Uses	Payment schedule	Rental basis	Term
			(sq.m.)				
As tenants							
Beach Road Tourism	Our Group	The ARC, Garapan, Saipan	105.4	Travel retail boutique	Monthly in advance	The higher of US$5 per sq.ft. and 8% of net sales	November 1, 2018 to October 31, 2023(1)
Beach Road Tourism	Our Group	The ARC, Garapan, Saipan	105.4	Travel retail boutique	Monthly in advance	The higher of US$5 per sq.ft. and 8% of net sales	November 1, 2018 to October 31, 2023(1)
Beach Road Tourism	Our Group	The ARC, Garapan, Saipan	105.4	Travel retail boutique	Monthly in advance	The higher of US$5 per sq.ft. and 8% of net sales	November 1, 2018 to October 31, 2023(1)
Beach Road Tourism	Our Group	The ARC, Garapan, Saipan	132.7	Travel retail boutique	Monthly in advance	The higher of US$3 per sq.ft. and 5% of net sales	November 1, 2018 to October 31, 2023(1)
Beach Road Tourism	Our Group	The ARC, Garapan, Saipan	105.9	Travel retail boutique	Monthly in advance	The higher of US$3 per sq.ft. and 5% of net sales	November 1, 2018 to October 31, 2023(1)
L&T Group	Our Group	Chamorro House, Garapan, Saipan	127.2	Souvenir and amenities store	Monthly in advance	US$1.5 per sq.ft.	August 16, 2016 to August 15, 2021(1)
L&T Group	Our Group	Chamorro House, Garapan, Saipan	30.0	Burger joint	Monthly in advance	US$1.5 per sq.ft.	October 18, 2018 to October 17, 2019
L&T Group	Our Group	TSL Plaza, Garapan, Saipan	76.4	Warehousing unit	Monthly in advance	US$2.35 per sq.ft.	November 1, 2018 to October 31, 2023

Landlord	Tenant	Location	Size	Uses	Payment schedule	Rental basis	Term
			(sq.m.)				
Luen Thai International	Our Company	Nanyang Plaza, Kwun Tong, Hong Kong	143.7	Corporate headquarters	Monthly in advance	HK$29,000	April 1, 2019 to March 31, 2022
As landlord							
Our Group	Strategic Gaming	G/F Kanoa Resort, Saipan	641.0	Amusement and gaming center	Monthly in advance	*Note (2)*	May 1, 2014 to April 30, 2019

Notes:

(1) These Connected Tenancy Agreements will be automatically terminated if the relevant Tenancy Framework Agreements (as defined below) is terminated for whatever reason.

(2) The level of rental payable by Strategic Gaming to us is the higher of US$15,180 and a variable rent calculated based on 10% of the net gaming revenue generated from the gaming machines operated by the amusement and gaming center. Strategic Gaming is in possession of an electronic gaming site operator license in the CNMI. Our CNMI and Guam Legal Adviser has confirmed to us that these lease arrangements and our receipt of net gaming revenue as variable rent do not constitute "casino gaming activities" under The CNMI's Commonwealth Casino Commission Regulations and do not require a "casino gaming license" or "casino license". We also receive utilities payment as well as income from the meals and other resort amenity and hospitality services provided to its staff and guests. See "— Historical Transaction Amounts" below for the variable rent and other income received by us from Strategic Gaming.

Savills Valuation and Professional Services (S) Pte Ltd, our independent Property Valuer, has confirmed to us that the terms of the Connected Tenancy Agreements were on arm's length, on normal commercial terms and consistent with normal business practices for leases of the relevant type and the unit rentals were in line with the prevailing market level when the parties entered into the Connected Tenancy Agreements.

Connected person relationship:

Beach Road Tourism is owned as to 60% by Tan Holdings (a Controlling Shareholder) and 40% by an independent third party.

L&T Group is directly wholly-owned by Tan Holdings (a Controlling Shareholder).

Luen Thai International is a 30%-controlled corporation of Chairman Tan (the Chairman of our Board, a Non-Executive Director and a Controlling Shareholder) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder).

Strategic Gaming is indirectly owned as to 70% by Luen Thai Group Limited, which in turn is owned as to 55% by Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and as to 30% in aggregate by independent investors.

As such, each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is a 30%-controlled corporation of a connected person of our Group and an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules.

Historical transaction amounts: The aggregate amounts under the Connected Tenancy Agreements for the 3 financial years ended December 31, 2018 are as follows:-

	Financial year ended December 31		
	2016	**2017**	**2018**
	(US$'000)	*(US$'000)*	*(US$'000)*
Amounts paid by us			
Beach Road Tourism	*Nil*	269	750
L&T Group	*Nil*	1	16
Luen Thai International	*Nil*	*Nil*	*Nil*
Total	***Nil***	***270***	***766***
Amounts received by us			
Strategic Gaming	268	267	285
Total	***268***	***267***	***285***

The fluctuation of amounts paid to Beach Road Tourism and L&T Group during the Track Record Period generally coincided with the commencement of the business and functions of the relevant premises.

Annual caps: We estimate that the maximum aggregate rental amount payable by us to Beach Road Tourism, L&T Group and Luen Thai International under the Connected Tenancy Agreements during the 3 financial years ending December 31, 2021 will be:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
951	976	1,006

The annual caps above have been estimated primarily based on the annual rental payable by us under the Connected Tenancy Agreements and projected sales level of the travel retail boutiques we operate in premises leased from Beach Road Tourism, which are on variable rent.

We estimate that the maximum aggregate variable rent and other income receivable by us from Strategic Gaming during the 3 financial years ending December 31, 2021 will be:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
300	300	300

The annual caps above have been estimated primarily with reference to the estimated level of demand for Strategic Gaming's gaming and amusement activities, the growing leisure tourism market in Saipan as projected by our Industry Consultant and set out in "Industry Overview", as well as the prevailing rates we charge for utilities, meals and other resort amenity and hospitality services.

In the event that the aggregate amounts under the Connected Tenancy Agreements in any particular year exceed the annual caps above, we will take appropriate action to comply with the relevant requirements under the Listing Rules in respect of any and all amounts in excess. Our Directors consider that the annual caps above are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules.

Listing Rules implications: Based on the historical transaction amounts and the annual caps that have been proposed, we expect that on an annual basis, all of the percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Connected Tenancy Agreements will be less than 5%, and their total transaction amounts will be more than HK$3 million but less than HK$10 million. Accordingly, the Connected Tenancy Agreements will constitute non-exempt continuing connected transactions of our Group and subject to the written agreement, announcement, annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements but exempt from the Shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Framework agreement: To ensure compliance with Chapter 14A of the Listing Rules, we have entered into a framework agreement with each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming (the "**Tenancy Framework Agreements**") on April 9, 2019 with effect from the Listing Date. The Tenancy Framework Agreements provide that, among others, the Connected Tenancy Agreements must be entered into (1) in writing, (2) in our ordinary and usual course of business, (3) on normal commercial terms (4) in compliance with all applicable provisions under the Listing Rules, (5) within the annual caps stated above (or upon us taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (6) comparable to those offered by/to other independent third parties.

The Tenancy Framework Agreements will expire on December 31, 2021 and is automatically renewable for successive periods of 3 years subject to compliance with the applicable provisions under the Listing Rules. The term of each Connected Tenancy Agreement is subject to the expiry of the Tenancy Framework Agreement. In addition, the Tenancy Framework Agreements (1) may be terminated by either party giving no less than a month's prior notice, (2) will be automatically terminated, in respect of their respective agreements with us only, Beach Road Tourism, L&T Group, Luen Thai International or Strategic Gaming (as the case may be) ceases to be a connected person under the Listing Rules, (3) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (4) may be terminated if either party becomes a subject of insolvency or liquidation. The Tenancy Framework Agreements with L&T Group and Beach Road Tourism further provides that the relevant Connected Tenancy Agreements will be automatically terminated of the relevant underlying Tenancy Framework Agreement is terminated for whatever reasons.

At any time during the term of the Tenancy Framework Agreements, we may from time to time enter into new Connected Tenancy Agreement(s) upon expiry for so long as they comply with the provisions of the relevant Tenancy Framework Agreements and the Listing Rules.

The Tenancy Framework Agreements provide the flexibility for us to enter into and renew the Connected Tenancy Agreements based on our prevailing operating conditions, and regulates the Connected Tenancy Agreements within the boundary of the Listing Rules.

Reasons and benefits: Our Directors consider that the Connected Tenancy Agreements are in the interests of our Group and Shareholders as a whole taking into account the prime location of the premises and the level of rental and other income received or paid by us.

Savills Valuation and Professional Services (S) Pte Ltd, our independent Property Valuer, has reviewed the Tenancy Framework Agreements and are of the view that (1) the terms and conditions thereunder are on normal commercial terms and fair and reasonable, and (2) the annual caps stated above reflect prevailing market rates and are no less favorable to us than those offered by/to independent third parties.

(e) ***Freight and logistics services***

Background and nature: In our ordinary and usual course of business, we procure warehousing, international freight forwarding, customs clearance and local courier services from CTSI Holdings Limited and its subsidiaries (the "**CTSI Group**") for our fixtures, furniture, retail merchandises and miscellaneous supplies and documents (the "**Freight and Logistics Transactions**"). The amounts payable by us to the CTSI Group under the Freight and Logistics Transactions have been more favorable to us compared to other independent service providers.

The CTSI Group is a logistics and freight service provider in Saipan and Guam of significant scale. We intend to continue with the Freight and Logistics Transactions after the Listing to support our leisure tourism operations.

Connected person relationship:

CTSI Holdings Limited is indirectly wholly-owned by Luen Thai Group Limited, which is in turn owned as to 55% by Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). Each member of the CTSI Group is thus a 30%-controlled corporation of a connected person of our Group and an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules.

Historical transaction amounts:

The aggregate amounts paid by us to the CTSI Group under the Freight and Logistics Transactions for the 3 financial years ended December 31, 2018 are as follows:-

Financial year ended December 31		
2016	**2017**	**2018**
(US$'000)	*(US$'000)*	*(US$'000)*
552	821	714

The amounts of the Freight and Logistics Transactions with the CTSI Group increased gradually during the Track Record Period in line with the growth of our leisure tourism business and coincided with our various repair, maintenance and other capital expenditures.

The historical transaction amount of the Freight and Logistics Transactions increased with the expansion of the boutique network and brand offering of our Luxury Travel Retail Sector. During the Track Record Period, we launched 5 boutiques in Saipan and 4 boutiques in Guam, which in turn increased our needs for the Freight and Logistics Transactions to import various merchandises into Saipan and Guam.

Annual caps:

We estimate that our annual transaction amounts with the CTSI Group under the Freight and Logistics Transactions will not exceed the following annual caps for the 3 financial years ending December 31, 2021:-

Financial year ending December 31		
2019	**2020**	**2021**
(US$'000)	*(US$'000)*	*(US$'000)*
1,041	1,166	1,219

In the event that the aggregate amounts under the Freight and Logistics Transactions with the CTSI Group in any particular year exceed the annual caps above, we will take appropriate action to comply with the relevant requirements under the Listing Rules in respect of any and all amounts in excess.

Basis of annual caps:

In arriving at the above annual caps, our Directors have considered factors including historical amounts under the Freight and Logistics Transactions, our estimated operational needs in the future, the growing leisure tourism market in Saipan and Guam as projected by our Industry Consultant and set out in "Industry Overview", projected inflation, the projected increase in fuel prices as well as the prevailing rates offered by the CTSI Group.

In particular, our Directors have taken into account (1) the asset rejuvenation plan of our *Fiesta Resort Saipan, Kanoa Resort* and *Fiesta Resort Guam*, and (2) the potential engagement with new brand owners and the launch of new boutiques, both of which is expected to result in an increased demand for the Freight and Logistics Transactions to source hotel and resort fixtures, furniture, other construction materials and merchandises from overseas locations. See "Business — Strategies on Future Business Development" for details. Our Directors consider that the annual caps above are reasonably determined in accordance with Rule 14A.53(2) of the Listing Rules.

Listing Rules implications:

Based on the historical transaction amounts and the annual caps that have been proposed, we expect that on an annual basis, all the percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Freight and Logistics Transactions will be less than 5%, and their total transaction amounts will be more than HK$3 million but less than HK$10 million. Accordingly, the Freight and Logistics Transactions will constitute non-exempt continuing connected transactions of our Group and subject to the written agreement, announcement, annual reporting, terms of an agreement, annual caps, changes to cap or terms of agreement and annual review requirements but exempt from the Shareholders' approval and circular (including independent financial advice) requirements under Chapter 14A of the Listing Rules.

Pricing policy and principal terms:

The Freight and Logistics Transactions were governed by individual purchase orders during the Track Record Period. Generally and in line with our procurement policies, the terms and conditions of the Freight and Logistics Transactions (including pricing, credit and payment terms) are determined on a case-by-case basis based on arm's length commercial negotiations with the CTSI Group with reference to (1) freight volume and size, (2) nature and requirements of items on freight, (3) freight charges otherwise offered by other independent logistics and freight service providers, (4) prevailing rates offered by the CTSI Group for items of comparable nature, and (5) our own budget and financial position.

Our Directors have confirmed that the terms and conditions under the Freight and Logistics Transactions have been (1) on normal commercial terms and fair and reasonable, and (2) no less favorable to us than those offered by other independent logistics and freight service providers.

Framework agreement:

To ensure compliance with Chapter 14A of the Listing Rules, we have entered into a framework agreement with CTSI Holdings Limited (the "**CTSI Framework Agreement**") on April 9, 2019 with effect from the Listing Date. The CTSI Framework Agreement provides that, among others, the Freight and Logistics Transactions must be (1) in writing, (2) in our ordinary and usual course of business, (3) on normal commercial terms (4) in compliance with all applicable provisions under the Listing Rules, (5) within the annual caps stated above (or upon us taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (6) no less favorable to us than those offered by other independent logistics and freight service providers.

The CTSI Framework Agreement will expire on December 31, 2021 and is automatically renewable for successive periods of 3 years subject to compliance with the applicable provisions under the Listing Rules. In addition, the CTSI Framework Agreement (1) may be terminated by either party giving no less than a month's prior notice, (2) will be automatically terminated if the CTSI Group ceases to be a connected person under the Listing Rules, (3) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (4) may be terminated if either party becomes a subject of insolvency or liquidation.

At any time during the term of the CTSI Framework Agreement, we may from time to time enter into individual purchase orders with the CTSI Group for so long as they comply with the provisions of the CTSI Framework Agreement and the Listing Rules.

The CTSI Framework Agreement provides the flexibility for us to enter into the Freight and Logistics Transactions in the form of individual purchase orders based on our prevailing operating conditions, and regulates the Freight and Logistics Transactions within the boundary of the Listing Rules.

Reasons and benefits: Our Directors consider that the Freight and Logistics Transactions are in the interests of our Group and Shareholders as a whole taking into account the scale and quality of the CTSI Group's operations in Saipan and Guam and the favorable rates offered to us.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon completion of the Global Offering and Listing, the following transactions will constitute continuing connected transactions that are fully exempt from the annual review, shareholders' approval and all disclosure requirements under Chapter 14A of the Listing Rules:-

(f) ***Shared administrative services***

In our ordinary and usual course of business, we share with L&T Group and the CTSI Group certain administrative services such as legal, office administration, information technology maintenance, corporate secretarial services and shared support staff costs (the "**Shared Administrative Services**"). These Shared Administrative Services are charged to us on a cost basis, and the relevant costs are identifiable and allocated to us based on the actual expenses incurred by us. The aggregate amounts paid by us for the Shared Administrative Services were US$680,000, US$728,000, US$748,000, respectively, in aggregate for the 3 financial years ended December 31, 2018. These historical amounts reflect our actual operational needs for the Shared Administrative Services. After the Listing, we will also enter into the Shared Administrative Services with Luen Thai International in respect of various office administrative and support services in relation to our corporate headquarters in Hong Kong, which will be co-located with other business ventures of our Controlling Shareholders.

L&T Group is directly wholly-owned by Tan Holdings (a Controlling Shareholder). CTSI Holdings Limited is indirectly wholly-owned by Luen Thai Group Limited, which is in turn owned as to 55% by Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). Luen Thai International is a 30%-controlled corporation of Chairman Tan (the Chairman of our Board, a Non-Executive Director and a Controlling Shareholder) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder). Each of L&T Group, the CSTI Group and Luen Thai International is thus a 30%-controlled corporation of a connected person of our Group and an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules. We have entered into framework agreements on April 9, 2019 with effect on the Listing Date with each of L&T Group, CTSI Holdings Limited and Luen Thai International, which provide that the Shared Administrative Services must be charged to us on a cost basis and that the relevant costs must be identifiable and allocated to us based on actual expenses incurred by us.

Given that (1) the Shared Administrative Services are charged to us on a cost basis, (2) the costs involved are identifiable and allocated to our Group on a fair and equitable basis, the Shared Administrative Services constitute fully-exempt continuing connected transactions under Rule 14A.98 of the Listing Rules.

(g) ***Shared remuneration***

In our ordinary and usual course of business, we share with L&T Group the remuneration of Mr. Jerry Tan, a director of a number of our subsidiaries and a member of our senior management (the "**Shared Remuneration**"). A percentage of Mr. Jerry Tan's remuneration is charged to us by L&T Group with reference to the estimated time to be spent by Mr. Jerry Tan on our Group's affairs. The aggregate amounts paid by us for the Shared Remunerations were US$340,000, US$343,000 and US$374,000, respectively, in aggregate for the 3 financial years ended December 31, 2018. These historical amounts reflect the contributions of Mr. Jerry Tan to our Group.

L&T Group is directly wholly-owned by Tan Holdings (a Controlling Shareholder) and is thus a 30%-controlled corporation of a connected person of our Group and an associate of a connected person under rule 14A.12(1)(c) of the Listing Rules.

To ensure compliance with Chapter 14A of the Listing Rules, we have entered into a framework agreement with L&T Group on April 9, 2019 with effect from the Listing Date, which provides that, among others, (1) L&T Group will, on a monthly basis, pay Mr. Jerry Tan his remuneration, (2) we will, on a monthly basis, reimburse L&T Group a fixed percentage of Mr. Jerry Tan's remuneration as the Shared Remuneration, which will become an amount due and payable by us to L&T Group.

Based on the historical transaction amounts, we expect that all the percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Shared Remuneration will be less than 5% and the total transaction amounts under the Shared Director Remunerations will be less than HK$3 million. Accordingly, the Shared Remuneration will be *de minimis* and constitute fully-exempt continuing connected transactions under Rule 14A.76(1) of the Listing Rules.

WAIVER APPLICATION

We expect to continue with the continuing connected transactions described under "— Non Exempt Continuing Connected Transactions" above after the Listing. From time to time after the Listing, we may also engage in non-recurring, one-off connected transactions with entities controlled and owned by the Tan Family and the private investments of its individual family members. These connected transactions will be conducted in compliance with Chapter 14A of the Listing Rules.

Scope of waiver

Non-exempt continuing connected transaction subject to Shareholders' approval

Under the Listing Rules, the Holiday Package Transactions and Medical Insurance constitute non-exempt continuing connected transactions subject to the written agreement, announcement, Shareholders' approval, circular (including independent financial advice), annual reporting, terms of an agreement, annual caps and annual review requirements under Chapter 14A of the Listing Rules. As the Holiday Package Transactions and Medical Insurance are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing and recurring basis and are expected to extend over a period of time, our Directors are of the view that compliance with the announcement requirement under Rule 14A.35 of the Listing Rules, the Shareholders' approval requirement under Rule 14A.36 to Rule 14A.45 of the Listing Rules and the circular (including independent financial advice) requirement under Rule 14A.46 to 14A.48 of the Listing Rules would impose unnecessary administrative costs and burden to our Group and would at times be impracticable.

We will comply with the written agreement requirement under Rule 14A.34 of the Listing Rules, the terms of an agreement requirement under Rule 14A.51 to Rule 14A.52 of the Listing Rules, the annual cap requirement under Rule 14A.53 of the Listing Rules, the changes to cap or terms of agreement requirement under Rule 14A.54 of the Listing Rules and the annual review by Independent Non-Executive Directors and auditors requirements under Rules 14A.55 to 14A.59 of the Listing Rules in respect of the QZ Framework Agreement and TakeCare Framework Agreement and any transactions contemplated thereunder. We will also comply with the annual reporting requirements under Rule 14A.4A of the Listing Rules and disclose the details of the Holiday Package Transactions and Medical Insurance in our subsequent annual reports for each of the 3 financial years ending December 31, 2021.

Accordingly, in accordance with Rules 14A.102 and 14A.105 of the Listing Rules, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules, the Shareholders' approval requirement under Rule 14A.36 to Rule 14A.45 of the Listing Rules and the circular (including independent financial advice) requirement under Rule 14A.46 to 14A.48 of the Listing Rules from the Listing Date to December 31, 2021. The waiver is valid provided that the total amounts received by us under the Holiday Package Transactions and Medical Insurance do not exceed their respective annual caps for the relevant periods set out above. After the expiry of this waiver on December 31, 2021, we will comply with the applicable provisions under Chapter 14A of the Listing Rules as amended from time to time or apply for a new waiver.

Non-exempt continuing connected transactions exempt from Shareholders' approval

Under the Listing Rules, the Consumer Goods Transactions, Connected Tenancy Agreements and Freight and Logistics Transactions constitute continuing connected transactions exempt from the circular (including independent financial advice) and Shareholders' approval requirements but subject to the annual reporting, announcement, written agreement, terms of an agreement, annual caps and annual review requirements under Chapter 14A of the Listing Rules. As these connected transactions are expected to be carried out on a continuing and recurring basis and are expected to extend over a period of time, our Directors consider that strict compliance with the announcement under Rule 14A.35 of the Listing Rules would be unduly burdensome, impractical and would add unnecessary administrative costs to us.

We will comply with the written agreement requirements under Rule 14A.34 of the Listing Rules, the annual reporting requirements under Rule 14A.49 of the Listing Rules and the annual review by independent non-executive directors and auditors requirements under Rules 14A.55 to 14A.59 of the Listing Rules, the terms of an agreement requirements under Rules 14A.51 to 14A.52 of the Listing Rules, the annual cap requirements under Rule 14A.53 of the Listing Rules, the changes to cap or terms of agreement requirements under Rule 14A.54 of the Listing Rules in respect of Consumer Goods Framework Agreements, Tenancy Framework Agreements and CTSI Framework Agreement and any transactions contemplated thereunder.

Accordingly, in accordance with Rules 14A.102 and 14A.105 of the Listing Rules, we have applied to the Stock Exchange, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules. The waiver is valid provided that the total amounts payable by us under each of these transactions do not exceed the annual caps for the relevant periods set out above. After the expiry of this waiver in December 31, 2021, we will comply with the applicable provisions under Chapter 14A of the Listing Rules as amended from time to time or apply for a new waiver.

Other common terms and conditions

The total consideration under of each of the framework agreements governing our non-exempt continuing connected transactors is not expected to exceed the relevant proposed annual caps for the periods set out above. Sufficient internal control measures are in place to monitor, on a continuing basis, our continuing connected transactions upon Listing as detailed in "— Internal Control Measures" below.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this Prospectus on the continuing connected transactions set out above, including but not limited to a requirement that these transactions be made conditional upon our Shareholders' approval, we will take immediate steps to ensure compliance with such requirements.

Opinion of our Directors

Our Directors (including our Independent Non-executive Directors) are of the opinion that (1) each of the non-exempt continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of business and on normal commercial terms or better, (2) the terms of each of the non-exempt continuing connected transactions described above are fair and reasonable and in the interest of our Group and Shareholders as a whole, and (3) the proposed annual caps for each of these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

Additional opinion of our Independent Non-Executive Directors

Our Independent Non-Executive Directors are of the opinion that (1) the pricing mechanism and the terms under the each of the framework agreements described above and any transactions contemplated thereunder are clear and specific, (2) the proposed annual caps of the each of the non-exempt continuing connected transactions described above is reasonable taking into account historical transaction and management projections, (3) the methods and procedures established by us are sufficient to ensure that each of these non-exempt continuing connected transactions will be conducted on normal commercial terms and not prejudicial to the interests of our Company and our minority Shareholders, (4) appropriate internal control procedures are in place, and our internal audit will review these transactions, and (5) they are provided by the management of our Company with sufficient information for the discharge of their duties.

Confirmation from the Sole Sponsor

The Sole Sponsor is of view that (1) each of the non-exempt continuing connected transactions described above have been entered into and will be carried out in the ordinary and usual course of business and on normal commercial terms or better, (2) the terms of each of these non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Group and Shareholders as a whole, and (3) the proposed annual caps for each of these non-exempt continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

INTERNAL CONTROL MEASURES

Our Audit Committee, which comprises only our Independent Non-Executive Directors, will continuously monitor our Group's continuing connected transactions on an on-going basis. An annual review report on continuing connected transactions will be compiled by our Audit Committee. This report will be reproduced in the annual reports for each financial year after the Listing. We believe that our Audit Committee will carefully consider whether all of the continuing connected transactions of our Group are entered into in the course of our ordinary and usual course of business of our Group, on normal commercial terms or, if applicable, on terms no less favorable to us than those available to or from (as appropriate) independent third parties, and are fair and reasonable to us and in the interests of our Company and our Shareholders as a whole.

Our Audit Committee also has the following functions to safeguard the annual review of the continuing connected transactions:-

— Meetings every 6 months to review the reports on continuing connected transactions.

— Power to request further information with respect to our continuing connected transactions to be provided by our senior management as it deems to be appropriate for its review.

— Authority to appoint any financial or legal adviser as our Audit Committee considers necessary for its review.

— Decision-making in relation to the continuance or discontinuance of any of our continuing connected transactions in accordance with the results of its review.

— Our Audit Committee's approval being a condition precedent to the convening of a Board meeting to approve any new continuing connected transactions or the renewal of any continuing connected transactions, as the case may be.

— Formation of its own opinion regarding the enforcement of the continuing connected transaction agreements and disclosure of such opinion in our annual reports for each financial year.

— Initiation of legal proceedings against the respective connected person in the event any of the connected transaction agreements has been materially breached.

— The power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as our Independent Non-Executive Directors see fit to ensure all continuing connected transactions are carried out on an arm's length basis.

— Our Directors who may be perceived to have conflicts of interests, such as Directors who hold controlling interests in the connected persons, will not participate in any meetings or discussions of our Board and our Audit Committee, or be included in any decision making processes relating to such conflicting matters.

In addition, our Audit Committee is also empowered under the QZ Framework Agreement to consider and, if appropriate, give specific and express approval to all annual sales agreements and individual purchase orders exceeding HK$3 million on an annual aggregate basis (being the *de minimis* threshold under Rule 14A. 76(1) of the Listing Rules).

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons will, immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, are directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:-

		Immediately upon completion of the Capitalization Issue and the Global Offering	
Name of Shareholder	**Capacity/ Nature of interests**	**Number of Shares**	**%**
Chairman Tan [(1)]	Interests in a controlled corporation	270,000,000	75%
Dr. Henry Tan [(2)]	Interests in a controlled corporation	270,000,000	75%
THC Leisure [(3)]	Beneficial interests	270,000,000	75%
Tan Holdings [(4)]	Interests in a controlled corporation	270,000,000	75%
Leap Forward [(5)]	Interests in a controlled corporation	270,000,000	75%
Supreme Success Limited [(6)]	Interests in a controlled corporation	270,000,000	75%

Notes:

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options):-

(1) Chairman Tan is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because (a) he acts in concert with Dr. Henry Tan in respect of the affairs of our Group, (b) he and Dr. Henry Tan together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (c) he and Dr. Henry Tan together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward, (d) he is the founder of the said discretionary family trust, (e) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (f) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Chairman Tan.

(2) Dr. Henry Tan is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because (a) he acts in concert with Chairman Tan in respect of the affairs of our Group, (b) he and Chairman Tan together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (c) he and Chairman Tan together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward and are thus entitled to exercise the voting rights in Leap Forward, (d) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (e) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Henry Tan. He is also the registered owner of a 20% interest in Tan Holdings.

(3) THC Leisure is the registered owner of 270,000,000 Shares (representing 75% of our entire issued share capital).

(4) Tan Holdings is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because it is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Tan Holdings.

(5) Leap Forward is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because it is the registered owner of 39% interests in Tan Holdings, which in turn is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Leap Forward.

(6) Supreme Success Limited is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because (a) it is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (b) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (c) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Supreme Success Limited.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Capitalization Issue and the Global Offering, have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OVERVIEW

The table below shows certain information in respect of the members of our Board of Directors:-

Name	Age	Current position(s) in our Group	Date of joining our Group	Date of appointment as Director	Roles and responsibilities in our Group
Chairman and Non-Executive Director					
Dr. TAN Siu Lin[(1)] (陳守仁博士). . . .	88	Chairman of our Board and Non-Executive Director	April 1997	November 5, 2018	Providing valuable strategic and management insights to our Group
Executive Directors					
Dr. TAN Henry[(2)] (陳亨利博士) . . .	65	Executive Director, Vice Chairman of our Board and Chief Executive Officer	April 1997	October 18, 2018	Formulation of our overall business strategies and corporate development
Mr. CHIU George[(3)] (also known as 趙明傑先生)	57	Executive Director	April 1997	November 5, 2018	Strategic planning and general management of our Group
Mrs. SU TAN Jennifer Sze Tink[(4)] (蘇陳詩婷女士) . .	36	Executive Director	February 2017	November 5, 2018	Providing directional insights particularly on operational efficiency, reputation management and business development
Mr. SCHWEIZER Jeffrey William . .	65	Executive Director and Head of Hotel Operations	April 2005	April 9, 2019	Assuming overall responsibilities in the operations, budget, strategic plans and sales and marketing efforts of our *Fiesta Resort Saipan*, *Kanoa Resort*, *Century Hotel* and *Fiesta Resort Guam*
Non-Executive Director					
Mr. TAN Willie[(5)] (陳偉利先生) . . .	63	Non-Executive Director	April 1997	November 5, 2018	Reviewing and supporting our overall corporate and business development and strategic planning of our Group
Independent Non-Executive Directors					
Prof. CHAN Pak Woon David (陳栢桓教授) . . .	63	Independent Non-Executive Director	April 9, 2019	April 9, 2019	Providing independent judgment on our strategies, policy, performance, accountability, resources, key appointments and standard of conduct
Mr. MA Andrew Chiu Cheung (馬照祥先生) . . .	77	Independent Non-Executive Director	April 9, 2019	April 9, 2019	Providing independent judgment on our strategies, policy, performance, accountability, resources, key appointments and standard of conduct
Mr. CHAN Leung Choi Albert (陳樑才先生). . . .	64	Independent Non-Executive Director	April 9, 2019	April 9, 2019	Providing independent judgment on our strategies, policy, performance, accountability, resources, key appointments and standard of conduct

Notes:

(1) Chairman Tan is the father of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder), Mr. Willie Tan (a Non-Executive Director) and Mr. Jerry Tan (a member of our senior management), as well as the grandfather of Mrs. Su Tan (an Executive Director).

(2) Dr. Henry Tan is a son of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a brother of Mr. Willie Tan (a Non-Executive Director) and Mr. Jerry Tan (a member of our senior management), the father of Mrs. Su Tan (an Executive Director), as well as a brother-in-law of Mr. Chiu (an Executive Director).

(3) Mr. Chiu is a brother-in-law of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and an uncle of Mrs. Su Tan (an Executive Director).

(4) Mrs. Su Tan is a granddaughter of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a daughter of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder), and a niece of Mr. Willie Tan (a Non-Executive Director), Mr. Jerry Tan (a member of our senior management) and Mr. Chiu (an Executive Director).

(5) Mr. Willie Tan is a son of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a brother of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and Mr. Jerry Tan (a member of our senior management), and an uncle of Mrs. Su Tan (an Executive Director).

The table below shows certain information in respect of the members of our senior management:-

Name	Age	Current position(s) in our Group	Date of joining our Group	Date of appointment as a member of our senior management	Roles and responsibilities in our Group
Senior Management					
Mr. TAN Jerry Cho Yee[1 and 2] (陳祖儀先生)	57	President, Guam & Saipan	April 1997	November 5, 2018	Providing strategic direction and overall relationship management of our business in Guam and Saipan
Miss CHEUNG Pik Shan Bonnie[3] (張碧珊女士)	42	Group Financial Controller and Company Secretary	April 2018	November 5, 2018	Strategic oversight of our accounting functions, financial management, compliance and investor relations

Notes:

(1) Mr. Jerry Tan is a son of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a brother of Dr. Henry Tan (an Executive Director, Vice Chairman of Board, our Chief Executive Officer and a Controlling Shareholder) and Mr. Willie Tan (a Non-Executive Director) and an uncle of Mrs. Su Tan (an Executive Director).

(2) The business address of Mr. Jerry Tan is 3/F, TSL Plaza, Garapan, Saipan 96950, CNMI, U.S.

(3) The business address of Miss Cheung is 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

BOARD OF DIRECTORS

Our Board of Directors is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation. Our Board currently consists of 9 Directors, comprising 4 Executive Directors, 2 Non-Executive Directors and 3 Independent Non-Executive Directors.

Chairman and Non-Executive Director

Dr. TAN Siu Lin, SBS (陳守仁博士)
Chairman of our Board and Non-Executive Director

Chairman Tan, aged 88, was appointed as a Non-Executive Director and the Chairman of our Board on November 5, 2018. A prominent entrepreneur in China, Hong Kong and the Western Pacific Region, Chairman Tan contributes to our overall strategic development and management with his invaluable experience of over 40 years in developing a diversified portfolio of business ventures. Chairman Tan and Dr. Henry Tan founded our Group in April 1997 when the Tan Family, under their leadership and guidance, acquired our first hotel in Saipan.

Chairman Tan is the chairman of the board of the Peking University Luen Thai Center for Supply Chain System Research & Development (北京大學聯泰供應鏈系統研發中心) and the chairman of the board of Tan Siu Lin School of Business and Information Technology in Quanzhou Normal University (泉州師範學院陳守仁工商信息學院). Chairman Tan was a member of the board of trustees of the Shaw College at The Chinese University of Hong Kong until January 2015 and is the permanent honorary director of the board of the Huaqiao University (華僑大學), the honorary chairman of the Hong Kong General Chamber of Textiles and the honorary consul in Hong Kong of the Federated States of Micronesia.

The benevolence of Chairman Tan and his family has been recognized by many communities and their people. In 2006, the House of Representatives of the U.S. granted a Congressional Record to Chairman Tan in recognition of his support and contributions to the society and economy of Guam. He also received the "Quanzhou Philanthropist" Award from the municipal government of Quanzhou, China and a Distinguished Contribution Award from Peking University. In June 2017, as a testament of his community devotion in Hong Kong, Chairman Tan was awarded the Silver Bauhinia Star by the Government of Hong Kong.

In 1966, he set up Luen Thai Shipping and Trading Company Limited, which has continued to develop and expand over time. Under the leadership of Chairman Tan, the Tan Family's business has grown into a global conglomerate across various business sectors including our leisure tourism business, retail, garment, fashion accessories and handbags, fishery, air freight, real estate, logistics, international shipping, insurance, healthcare, ground handling and airport services and wholesale and distribution in China, Hong Kong, Taiwan, Southeast Asia, North America, Europe and the Western Pacific Region. Notably, the shares of Luen Thai Holdings Limited, his garment manufacturing business, were listed on the Stock Exchange (Stock Code: 311) in July 2004. He has been one of its executive directors since April 2004 and previously acted as its chairman from April 2004 until February 2017. In recognition of his lifetime devotion, he was appointed as the honorary life chairman of Luen Thai Holdings Limited with effect from April 2017.

Chairman Tan obtained a Doctor of Laws degree from the University of Guam in May 1984, and has been awarded an honorary university fellowship by the Hong Kong Baptist University in September 2017.

Chairman Tan is a Controlling Shareholder and, together with Dr. Henry Tan, his eldest son, exercises the ultimate control in our Company. He is also the father of Mr. Willie Tan (a Non-Executive Director), Mr. Jerry Tan (a member of our senior management) and the grandfather of Mrs. Su Tan (an Executive Director). Chairman Tan does not have any directorship position in our subsidiaries.

Executive Directors

Dr. TAN Henry, BBS, JP (陳亨利博士)
Executive Director, Vice Chairman of our Board and Chief Executive Officer

Dr. Henry Tan, aged 65, was appointed as a Director upon incorporation of our Company on October 18, 2018. He was designated as an Executive Director, Vice Chairman of our Board and our Chief Executive Officer on November 5, 2018 and is also a member of our Nomination and Remuneration Committees. Dr. Henry Tan has over 30 years of experience in conducting business in China, Hong Kong and the Western Pacific Region and has gained in-depth local knowledge, business and personal connections and market insight in the region. Under his effective leadership, we have grown from a single-hotel operator in Saipan to one of the leading leisure tourism groups in Saipan and Guam.

Dr. Henry Tan first conducted business in the Western Pacific Region when the Tan Family started their shipping and trading operations in Guam in the 1970s. Since then, he has been overseeing the family's various business ventures in the region and has been instrumental in expanding the family's business portfolio in a spectrum of industries, including our leisure tourism business, retail, fishery, air freight, international shipping, logistics, ground handling and airport services, petroleum, insurance, healthcare, real estate and wholesale and distribution of consumer products across various territories such as Guam, Saipan, Palau, Micronesia and the Marshall Islands. In April 1997, under Chairman Tan's and Dr. Henry Tan's leadership, we acquired our first hotel in Saipan. Dr. Henry Tan is a renowned businessman in Hong Kong and the Western Pacific Region. He was the chief executive officer and an executive director of Luen Thai Holdings Limited, a company listed on the Stock Exchange (Stock Code: 311), from March 2004 to February 2017 and had been actively involved in the apparel and logistics industries in Hong Kong for over 32 years.

Dr. Henry Tan serves on the boards and committees of a number of educational institutes in order to share his experience and knowledge with younger generations. He is currently a court member of the Hong Kong Polytechnic University and a member of the advisory committee of the university's Institute of Textiles & Clothing. He is also an honorary court member of the Hong Kong Baptist University and a director of the board of Huaqiao University (華僑大學). From 2004 to 2005, he was the chairman of Po Leung Kuk, a charitable organization in Hong Kong focusing on childcare, education and eldery services. His contribution to these industries and the community has earned him industry and social accolades, including the appointment as a member of the National People's Congress in March 2018 and a committee member of the 9^{th} to 11^{th} sessions of the Fujian Province Committee of the Chinese People's Political Consultative Conference. Dr. Henry Tan was awarded a Bronze Bauhinia Star by the Government of Hong Kong in November 2005 and was appointed as Justice of the Peace of Hong Kong in July 2008. He has also been elected by the textiles and garment sub-sector as a member of the Election Committee of Hong Kong since December 2006 and has been a permanent honorary chairman of the Hong Kong General Chambers of Textiles Limited since 2009 and the vice chairman of Textile Council of Hong Kong Limited since October 2015.

Dr. Henry Tan obtained a bachelor's degree and a master's degree in business administration from the University of Guam in December 1975 and May 1980, respectively. He also received an honorary doctorate in humane letters from the University of Guam in May 2013, in recognition of his contribution in the Western Pacific region.

Dr. Henry Tan is a Controlling Shareholder and, together with Chairman Tan, his father, exercises the ultimate control in our Company. He is also a brother of Mr. Willie Tan (a Non-Executive Director) and Mr. Jerry Tan (a member of our senior management), the father of Mrs. Su Tan (an Executive Director), as well as a brother-in-law of Mr. Chiu (an Executive Director). He is also a director of S.A.I. CNMI Holdings, S.A.I. CNMI Tourism, S.A.I. Guam Holdings, S.A.I. Guam Tourism and Gemkell Guam, all of which are our subsidiaries.

Mr. CHIU George (also known as 趙明傑先生)
Executive Director

Mr. Chiu, aged 57, was appointed as an Executive Director on November 5, 2018. As one of our chief management figures, he has been in charge of our strategic planning and general management, setting us apart from our competitors and contributing to our market leading position in the leisure tourism industry in Saipan and Guam.

Mr. Chiu is recognized as a successful businessman in the Western Pacific Region with more than 25 years of experience in overseeing and managing the Tan Family's various business ventures in the region. Mr. Chiu joined our Group in April 1997 and has held directorship and key management roles in a wide spectrum of businesses. Apart from managing our leisure tourism business, he is also currently involved in the Tan Family's other business ventures such as fishery, air freight, international shipping, logistics, ground handling and airport services, petroleum, insurance, healthcare and wholesale and distribution of consumer products in Guam, Saipan, Palau and Papua New Guinea. Among others, he has been in charge of the Guam, Palau and Marshall Islands operations of CTSI Holdings Limited and its subsidiaries, an international freight forwarding service provider, since January 2000, January 2006 and January 2008, respectively.

Mr. Chiu has a strong presence in the business community of the Western Pacific Region. He is also actively involved in many community organizations and has served as the vice president of the Chinese Chamber of Commerce of Guam since February 2017 and the director of the board of the Guam Economic Development Authority since January 2011. In recognition of his achievements and contribution to businesses in Guam, Mr. Chiu received a certificate of commendation from the Legislature of Guam and the award of *Un Dangkolo Na Si Yu'us Ma'ase* in August 2011. He was also chosen as the "2013 Executive of the Year" by Guam Business Magazine and was congratulated and further recognized by the United States Congress in January 2014 for winning this award.

Mr. Chiu obtained a bachelor's degree in business administration with double majors in management and accounting from the University of Guam in December 1987. He was chosen as a distinguished alumni by the same institution in November 2013.

Mr. Chiu is a brother-in-law of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and an uncle of Mrs. Su Tan (an Executive Director). He is also a director of S.A.I. CNMI Tourism, S.A.I. Guam Tourism, APHI Saipan, APHI Guam, Gemkell Guam and Gemkell Saipan, all of which are our subsidiaries.

Mrs. SU TAN Jennifer Sze Tink (蘇陳詩婷女士)
Executive Director

Mrs. Su Tan, aged 36, was appointed as our Executive Director on November 5, 2018. With a solid background and experience in the hotel and hospitality industry and marketing, she provides directional insights to our operational efficiency, reputation management, sales and marketing functions and business development.

Mrs. Su Tan joined our Group as a consultant in February 2017 and provides strategic advice on hotels and resorts operations, marketing campaigns and new project development. Prior to joining the Group, she was the executive vice president from January 2011 to January 2018 and vice president from September 2009 to January 2011 at Hyperdisk Marketing Inc., where she led cross-functional teams, design, development and accounts to conduct regular research and development and oversaw all accounts within the companies with assets including hotels, apartments, homes and corporations in major markets such as the hospitality, service, pharmaceutical, finance and real estate sectors. Prior to her position as vice president, she had been an account director in Hyperdisk Marketing Inc. from September 2005 to September 2009.

Mrs. Su Tan graduated with a bachelor's degree in science majoring in hotel and restaurant administration from Cornell University, the U.S., in January 2005.

Mrs. Su Tan is a granddaughter of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a daughter of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder), and a niece of Mr. Jerry Tan (a member of our senior management), Mr. Willie Tan (a Non-Executive Director) and Mr. Chiu (an Executive Director). She has no directorship positions in our subsidiaries.

Mr. SCHWEIZER Jeffrey William
Executive Director and Head of Hotel Operations

Mr. Schweizer, aged 65, was appointed as the Head of Hotel Operations of our Group on November 5, 2018 and as an Executive Director on April 9, 2019. He is in charge of the operations, strategic plans, budget and sales and marketing efforts of our *Fiesta Resort Saipan*, *Kanoa Resort*, *Century Hotel* and *Fiesta Resort Guam*.

Mr. Schweizer completed the advanced hotel management program of the Hong Kong Winter School 2004 of The Hong Kong Polytechnic University in January 2004, and completed the food and beverage management seminar held by the School of Hotel Administration, Cornell University in September 1990. He was appointed as the chairman of the board of the Guam Hotel and Restaurant Association in 2009. He is currently a member of the Guam Chamber of Commerce and a member of a subcommittee of Guam Chamber of Commerce, the Armed Forces Committee and has been a member of the Employers Council in Guam since 1996. He is currently a member of and previously served as president of the SKAL Club of Guam for the fiscal year of 2009.

Mr. Schweizer has over 29 years of experience in the hospitality industry. He joined APHI Guam in April 2005 as a general manager of *Fiesta Resort Guam*, which was acquired by our Group in 2002. Prior to joining our Group, Mr. Schweizer served as the director of food and beverage and executive assistant manager at the Pacific Islands Club in Guam from September 1995 to April 2005. From August 1994 to August 1995, he was the director of food and beverage at the Hilton Hotel in Wilmington, Delaware, U.S.A. From May 1989 to May 1994, he also worked in the food and beverage operations and served as director of food and beverage at the Pacific Islands Club in Guam.

Non-Executive Director

Mr. TAN Willie (陳偉利先生)
Non-Executive Director

Mr. Willie Tan, aged 63, was appointed as a Non-Executive Director on November 5, 2018 and first joined the Group in April 1997. With over 30 years of experience in managing the Tan Family's business ventures in various disciplines including apparel and footwear manufacturing, fishing, logistics, wholesale and retail operations, he supervises our implementation of business strategies, financial control and general corporate management.

Mr. Willie Tan is the chief executive officer of Luen Thai Enterprises Ltd., and the chief executive officer and vice chairman of the board of Tan Holdings (a Controlling Shareholder), both of which are the Tan Family's investment holding entities of their diverse business portfolio. Mr. Willie Tan is a son of Chairman Tan and joined the apparel division of the family business in 1985. He has held positions such as executive vice president and chief operating officer prior to his appointment to lead the other privately held family business ventures. Mr. Willie Tan was also an executive director of Luen Thai Holdings Limited, a company listed on the Stock Exchange (Stock Code: 311) from April 2004 to May 2006 and a non-executive director from May 2006 to February 2017.

He is currently the external vice president of the Philippines-China Business Council. Mr. Willie Tan was appointed as the Honorary Ambassador-at-Large for Guam, USA in November 2007 and served as the chairman of the Confederation of Garment Exporters of the Philippines from 2004 to February 2017. Mr. Willie Tan obtained a bachelor's degree in business administration from the University of Guam in May 1978.

Mr. Willie Tan is a son of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a brother of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and Mr. Jerry Tan (a member of our senior management) and an uncle of Mrs. Su Tan (an Executive Director). He is also a director of APHI Saipan, APHI Guam, Gemkell Guam and Gemkell Saipan, all of which are our subsidiaries.

Independent Non-Executive Directors

Prof. CHAN Pak Woon David (陳栢桓教授)
Independent Non-Executive Director

Prof. Chan, aged 63, was appointed as an Independent Non-Executive Director on April 9, 2019. He is also the Chairman of our Nomination Committee and a member of our Audit and Remuneration Committees.

Prof. Chan graduated with a bachelor's degree in business administration from the University of Hawaii at Manoa in the U.S. in May 1983, a master's degree in China laws from Jinan University in China in June 2012 and a doctoral degree of management science in tourist management from Sun Yat-Sen University in China in June 2016.

Prof. Chan has been the vice president of the board of directors of Dongguan City Association of Enterprises with Foreign Investment since November 2006. He was also appointed as the vice chairman and consultant of the Hong Kong Chamber of Commerce in China - Guangdong in January 2013 and January 2015, respectively. He was previously the executive chairman of the Guangzhou Hotels Association from 2013 to 2015 and a member of the United Nations ESCAP Sustainable Business Network from May 2014 to December 2017.

Prof. Chan is currently a professor and a director of the School of Hotel and Tourism Management of The Chinese University of Hong Kong. He has over 30 years of experience in the hotels and resorts industry and has previously taken up managerial roles in various international hotel chains such as the Area Vice President of Grand Hyatt Guangzhou in China from June 2014 to January 2018, General Manager of Grand Hyatt Guangzhou in China from September 2009 to January 2018, General Manager of Hyatt Regency, Dongguan in China from December 2004 to August 2009, General Manager of Best Western Rosedale on the Park in Hong Kong from April 2004 to July 2004, as well as Director of Food & Beverage of the Hyatt Regency, Perth in Australia from September 1994 to August 1996. Our other Directors (including the other Independent Non-Executive Directors) are of the view that Prof. Chan's extensive management experience in global hotels and resorts industry, particularly in a number of premium international chained properties, will benefit the up-scaling transition of our hotels and resorts pursuant to our asset rejuvenation plan. Particularly, Prof. Chan will be able to contribute valuable management insights from his extensive experiences on, (1) the recruitment and training of our personnel in order to provide premium services to our up-market hotel guests, (2) the control over the associated operating costs to provide upgraded services with a view to further enhancing our profitability, and (3) our promotional strategies against other up-market peers in Saipan and Guam.

Mr. MA Andrew Chiu Cheung (馬照祥先生)
Independent Non-Executive Director

Mr. Ma, aged 77, was appointed to our Board as our Independent Non-Executive Director on April 9, 2019. He is also the Chairman of our Audit Committee.

Mr. Ma obtained a bachelor's degree in economics from The London School of Economics and Political Science (The University of London) in the United Kingdom and has over 40 years of experience in accounting and finance including as a certified public accountant in Hong Kong since 1973, the founder and former director of an accounting practice in Hong Kong, and his involvements in the accounting and finance matters of various public companies as their independent non-executive director. He has been a Fellow Member of each of the Institute of Chartered Accountants in England & Wales since January 1979, the Hong Kong Institute of Certified Public Accountants since February 1978, the Taxation Institute of Hong Kong since April 2003 and the Hong Kong Institute of Directors since December 2004. Since November 2006, Mr. Ma has been the Honorary Consul of Cote d'Ivoire in Hong Kong and Macau.

Mr. Ma is a director of Mayee Management Limited, The People's Insurance Company of China (Hong Kong), Limited and Chong Hing Insurance Company Limited. He is the founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited). Mr. Ma has also been an independent non-executive director of Asia Financial Holdings Limited (Stock Code: 662) since September 2004, C.P. Pokphand Co. Ltd. (Stock Code: 43) since September 2005, China Resources Power Holdings Company Limited (Stock Code: 836) since December 2006, Chong Hing Bank Limited (Stock Code: 1111) since August 2007, Asiaray Media Group Limited (Stock Code: 1993) since May 2014 and C-Mer Eye Care Holdings Limited (Stock Code: 3309) since December 2017, the shares of all of which are listed on the Main Board of the Stock Exchange.

Mr. Ma was an independent non-executive director of Southwest Securities International Securities Limited (formerly known as Tanrich Financial Holdings Limited) (Stock Code: 812) from April 14, 2005 to January 27, 2015 and Beijing Properties (Holdings) Limited (Stock Code: 925) from September 23, 2004 to December 3, 2014, the shares of both of which are listed on the Main Board of the Stock Exchange. Mr. Ma was also an independent non-executive director of Asian Citrus Holdings Limited (Stock Code: 73) from August 7, 2004 to November 12, 2013, the shares of which are listed on the Main Board of the Stock Exchange and were listed on the AIM Board of the London Stock Exchange (Stock Code: ACHL) until March 29, 2017.

We note Mr. Ma's various independent non-executive directorship in public companies listed on the Stock Exchange. Our Directors are of the view that Mr. Ma will be able to devote sufficient time to discharge his duties and responsibilities as an Independent Non-Executive Director because (1) his involvement in other listed companies as independent non-executive director primarily requires him to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses, (2) notwithstanding his current independent non-executive directorship in 6 other listed companies, he has demonstrated that he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year, as disclosed in these listed companies' latest published annual reports, (3) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorship in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an Independent Non-Executive Director, and (4) he has confirmed that he will have sufficient time to devote to his duties as an Independent Non-Executive Director notwithstanding his existing independent non-executive directorship in six other listed companies.

Our other Directors (including the other Independent Non-Executive Directors) are satisfied that Mr. Ma possesses the appropriate professional qualifications and accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules because (1) his various accounting and financial related professional qualifications, including his membership with the Hong Kong Institute of Certified Public Accountants since 1973, (2) his accounting and audit experiences for more than 40 years including as the founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited), and (3) his current and former independent non-executive directorship with 10 other listed companies on the Stock Exchange and membership in most of their audit committees, where he was involved in duties prescribed under paragraphs C3 and D3 of the Corporate Governance Code such as reviewing audited financial statements, providing an independent view on financial reporting process, overseeing audit process and communications with external auditors.

Mr. CHAN Leung Choi Albert (陳樑才先生)
Independent Non-Executive Director

Mr. Chan, aged 64, was appointed to our Board as an Independent Non-Executive Director on April 9, 2019. He is also the Chairman of our Remuneration Committee and a member of our Audit and Nomination Committees.

Mr. Chan graduated with a bachelor's degree in science from the University of Hong Kong in October 1977 and joined The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") in November 1977. As an experienced banker based in Hong Kong, Mr. Chan assumed various management positions in HSBC up until June 2017, including retail banking, treasury, corporate banking and risk management. His last position with HSBC was head of commercial banking in Hong Kong, where he served a wide range of commercial clients including multi-national corporations, publicly-listed companies, mid-market corporations, small and medium enterprises and start-up businesses. As head of commercial banking, he also supervises his team in providing deposit, foreign exchange, loans and credit card services to our Controlling Shareholders and their business ventures (including our Group). HSBC is a principal bank of our Group.

Mr. Chan has been active in community services. He served as a member of the General Committee of the Federation of Hong Kong Industries from 2016 to 2017. From 2012 to 2014, Mr. Chan was a member of the board of Business Environmental Council Hong Kong and in October 2011, he became a member of the executive committee of Junior Achievement Hong Kong.

SENIOR MANAGEMENT

Mr. TAN Jerry Cho Yee (陳祖儀先生)
President, Guam & Saipan

Mr. Jerry Tan, aged 57, was appointed as our President, Guam & Saipan on November 5, 2018. Mr. Jerry Tan has over 30 years of experience in doing business in the Western Pacific Region, particularly in Guam and Saipan. He first joined our Group in April 1997 and has been providing strategic direction and assuming overall responsibilities in managing our relationship and business development with various industry stakeholders in Guam and Saipan. He has taken up various executive and directorial roles in the Tan Family's businesses including acting as chief operation officer and director of Tan Holdings (a Controlling Shareholder) and vice president and director of L&T Group of Companies, Ltd.

Mr. Jerry Tan was appointed as the Special Advisor for Trade and Tourism of CNMI in April 2013. He has been involved with the Marianas Visitors Authority for the past decade - he served as chairperson of the board from March 2006 to March 2010 and has been a member of the board since June 2012. He served as a director of the Saipan Chamber of Commerce in 2003 and 2004. He has been a member of the Strategic Economic Development Council and Air Service Committee of the CNMI since 2004, both think-tanks with members from the government and the private sector. He was the vice president/treasurer in 2004, and has been the president/treasurer of the Chinese Association of Saipan since 2005.

Active in community service, Mr. Jerry Tan has served as the vice-chairman of the Tan Siu Lin Foundation since 2009. Mr. Jerry Tan was the President of the Northern Marianas College Foundation from 2002 to 2006 and served as a board member from 2007 to May 2010. He is an honorary board member of the American Red Cross Northern Mariana Islands Chapter, in recognition of his tremendous effort over the years.

In January 2004, Mr. Jerry Tan was awarded "2003 Business Person of the Year" by the Saipan Chamber of Commerce. In December 2004, he was named "Employer of the Year 2004" by the CNMI Chapter of the Society for Human Resources Management. Mr. Jerry Tan was awarded "2009 Executive of the Year" by the Guam Business Magazine, an annual award program which recognizes executives who display consistent excellence in their professional lives. In June 2010, the Rotary Club of Saipan bestowed him the Rotary Citizen of the Year Award in recognition for his contribution to the community.

Mr. Jerry Tan obtained a bachelor's degree in business administration from the University of Guam in May 1983.

Mr. Jerry Tan is a son of Chairman Tan (Chairman of our Board, a Non-Executive Director and a Controlling Shareholder), a brother of Dr. Henry Tan (an Executive Director, Vice Chairman of our Board, our Chief Executive Officer and a Controlling Shareholder) and Mr. Willie Tan (a Non-Executive Director), and an uncle of Mrs. Su Tan (an Executive Director). He is also a director of S.A.I. Guam Tourism, S.A.I. CNMI Tourism, APHI Saipan, APHI Guam, Century Tours and Gemkell Saipan and a manager (equivalent to a director) of CKR, LLC, all of which are our subsidiaries.

Miss CHEUNG Pik Shan Bonnie (張碧珊女士)
Group Financial Controller and Company Secretary

Miss Cheung, aged 42, was appointed as our Group Financial Controller and Company Secretary on November 5, 2018. She is responsible for the strategic oversight of our accounting functions, financial management, compliance and investor relations.

Miss Cheung has been a fellow member of the Association of Chartered Certified Accountants since December 2006 and a member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since February 2004. She began her career in September 1998 with Arthur Andersen & Co., where she gained experience in preparing financials and auditor's reports for companies listed on the Stock Exchange. In September 2001, she first joined the corporate finance division of Luen Thai International Group Ltd., a wholly owned subsidiary of Luen Thai Holdings Limited (Stock Code: 311). Miss Cheung was involved in the preparation for the listing of Luen Thai Holdings Limited on the Stock Exchange in July 2004, its post listing financial reporting and compliance matters, and various mergers and acquisitions activities over the years. In April 2017, she was transferred to Luen Thai International Development Limited, a private entity of the Tan Family which conducts various general corporate finance matters of the family's business ventures, as vice president, corporate finance. She joined our Group to oversee our accounting and financial management matters in April 2018.

Miss Cheung obtained her bachelor's degree in accountancy from The Hong Kong Polytechnic University in November 1998.

During the 3 years immediately preceding the date of this Prospectus, each of our senior management has not been a director of a public company with securities listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

We have appointed Miss CHEUNG Pik Shan Bonnie (張碧珊女士), our Group Financial Controller, as our Company Secretary. See "— Senior Management" above for her biographical details and professional experience. Miss Cheung satisfies the requirement of company secretary under Rule 3.28 and Rule 8.17 of the Listing Rules.

COMPLIANCE ADVISER

We have appointed Elstone Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, during the term of the compliance adviser agreement, our compliance adviser will advise us on the following circumstances:-

— the publication of any announcements, circulars or financial reports under any applicable laws, rules, codes and guidelines,

— where a transaction, which might be discloseable or being a notifiable or connected transaction under Chapter 13,14 and/or 14A of the Listing Rules, is contemplated including share issues and share repurchases,

— where we propose to use the proceeds from the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Prospectus, and

— where the Stock Exchange makes an inquiry of us in respect of unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date of despatch of our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the financial year ending December 31, 2020) and such appointment shall be subject to extension by mutual agreement.

BOARD COMMITTEES

We have established the following committees of our Board:-

Audit Committee

We established an Audit Committee on April 9, 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 and paragraph D3 of the Corporate Governance Code. Our Audit Committee is chaired by Mr. MA Andrew Chiu Cheung, an Independent Non-Executive Director who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and has 2 other members, namely Prof. CHAN Pak Woon David and Mr. CHAN Leung Choi Albert, each an Independent Non-Executive Director. The primary duties of our Audit Committee include, but are not limited to, (1) assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, (2) overseeing the audit process and performing other duties and responsibilities as assigned by our Board, (3) developing and reviewing our policies and practices on corporate governance; (4) making recommendations to our Board, and (5) ensuring that good corporate governance practices and procedures are established.

Remuneration Committee

We established a Remuneration Committee on April 9, 2019 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code. Our Remuneration Committee is chaired by Mr. CHAN Leung Choi Albert (an Independent Non-Executive Director) and consists of 2 others members who are Prof. CHAN Pak Woon David (an Independent Non-Executive Director) and Dr. Henry Tan (an Executive Director). The primary duties of our Remuneration Committee include, but are not limited to, (1) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, (2) determining the specific remuneration packages of all Directors and senior management, and (3) reviewing and approving performance-based remuneration with reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

We established a Nomination Committee on April 9, 2019 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code. The primary functions of our Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of Independent Non-Executive Directors and making recommendations to our Board on matters relating to the appointment of Directors. Our Nomination Committee is chaired by Prof. CHAN Pak Woon David (an Independent Non-Executive Director) and has 2 other members who are Mr. CHAN Leung Choi Albert (an Independent Non-Executive Director) and Dr. Henry Tan (an Executive Director).

BOARD DIVERSITY

Our Board has adopted a board diversity policy in accordance with Rule 13.92 of the Listing Rules. With a view to achieving sustainable and balanced development, we are committed to increasing diversity in our Board in order to bring in innovation, fresh and broad business perspectives and enhance the decision-making process of our Board. Our Board is of the view that having diversity will help our Company better understand and meet needs of the customers and maintain our competitive advantages in the leisure tourism industry.

Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and contribution that the selected candidates may bring to our Board, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on our Board. Our Nomination Committee will monitor the implementation of our Board diversity policy and shall monitor its implementation on an ongoing basis. It shall report annually, in our corporate governance report, on our Board's composition under diversified perspectives together with a summary of our Board diversity policy, the measurable objectives for implementing this policy and the progress of achieving our objectives to achieve Board diversity.

In compliance with our Board's diversity policy, our Board currently comprises members from diverse gender, age, cultural and educational background. For example, Mrs. Su Tan and Mr. SCHWEIZER Jeffrey William both have extensive hospitality-related educational and work experiences, while our Independent Non-Executive Directors each has expertise in their distinctive industries, including hospitality, accounting and finance, and commercial banking.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our contribution to the pension scheme. Our Remuneration Committee determines the salaries of our Directors based on each Director's qualification, position and seniority.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our Directors for the 3 financial years ended December 31, 2018 was US$0.2 million, US$0.2 million and US$0.2 million, respectively.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid to our five highest paid individuals for the 3 financial years ended December 31, 2018 was US$0.8 million, US$0.9 million and US$0.9 million, respectively.

It is estimated that an aggregate amount of remuneration equivalent to around US$0.8 million will be paid and granted to our Directors by us for the financial year ending December 31, 2019 under arrangements in force on the date of this Prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

To incentivize our Directors, senior management and employees, we have conditionally adopted the Post-IPO Share Option Scheme on April 9, 2019. See "Appendix V — Statutory and General Information — F. Post-IPO Share Option Scheme" for further details.

Our policy concerning the remuneration of our Directors is that the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, performance and the time devoted to our business. No Director has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for service rendered by him in connection with the promotion or formation of us. See "Appendix V — Statutory and General Information — D. Further Information about our Directors, Chief Executive and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment" for details.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 9 of the Accountant's Report.

DIRECTOR'S INTEREST

Except as disclosed in this Prospectus, each of our Directors (1) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date, (2) had no other relationship with any Directors, members of senior management, Substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date, (3) did not hold any other directorship in any public company with securities listed on any securities market in Hong Kong or overseas during the 3 years immediately preceding to the date of this Prospectus, and (4) did not conduct any business activities that compete, or are likely to compete, either directly or indirectly, with our business.

See "Appendix V — Statutory and General Information — D. Further Information about our Directors, Chief Executive and Substantial Shareholders" for details of our Directors' respective interests or short positions (if any) in our Shares, particulars of our Directors' service agreements and letters of appointment and our Directors' remuneration.

Except as disclosed in this Prospectus, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized and issued share capital of our Company in issue as of the date of this Prospectus and to be issued as fully-paid or credited as fully-paid immediately upon completion of the Capitalization Issue and the Global Offering is as follows:-

Authorized share capital

		Nominal value
500,000,000	Shares of HK$0.01 each	HK$5,000,000.00

Issued share capital

The issued share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) will be as follows:-

Issued and to be issued, fully-paid or credited as fully-paid:

1	Share in issue as of the date of this Prospectus	HK$0.01
269,999,999	Shares to be issued under the Capitalization Issue	HK$2,699,999.99
90,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-Allotment Option)	HK$900,000.00
Total		
360,000,000		**HK$3,600,000.00**

Assuming the Over-Allotment Option is exercised in full, the share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering (without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) will be as follows:-

Issued and to be issued, fully paid or credited as fully-paid:

1	Share in issue as of the date of this Prospectus	HK$0.01
269,999,999	Shares to be issued under the Capitalization Issue	HK$2,699,999.99
103,500,000	Shares to be issued pursuant to the Global Offering (inclusive of all Shares which may be issued upon exercise in full of the Over-Allotment Option)	HK$1,035,000.00
Total		
373,500,000		**HK$3,735,000.00**

ASSUMPTIONS

The above tables assume the Global Offering has become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account (1) any Shares which may be allotted and issued upon exercise of the Post-IPO Share Options, or (2) any Shares which may be allotted and issued or repurchased by our Company under the Issuing Mandate and Repurchase Mandate as referred to below.

RANKING

The Shares are ordinary Shares in the share capital of our Company and are identical in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this Prospectus (save for entitlements to the Capitalization Issue).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our sole Shareholder dated April 9, 2019, conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK$2,699,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 269,999,999 Shares, such Shares to be allotted and issued on the Listing Date, credited as fully-paid at par to our Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on Wednesday, May 15, 2019 in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then shareholding in our Company and the Shares to be allotted and issued pursuant to the Capitalization Issue shall carry the same rights in all respects with the then existing issued Shares.

POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme as further described in "Appendix V — Statutory and General Information — F. Post-IPO Share Option Scheme".

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into shares as of the Latest Practicable Date.

ISSUING MANDATE

Our Directors were granted with the Issuing Mandate to allot, issue and deal with Shares of not more than the sum of:-

(1) 20% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering, and

(2) the aggregate number of Shares repurchased by our Company, if any, under the Repurchase Mandate referred to below.

The total number of the Shares which our Company authorized our Directors to allot and issue under this Issuing Mandate will not be reduced by the allotment and issue of Shares pursuant to (1) a rights issue, (2) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles, (3) any specific authority granted by our Shareholders in general meeting(s), or (iv) the exercise of any Post-IPO Share Options, or any other arrangement which may be regulated under Chapter 17 of the Listing Rules.

The Issuing Mandate will expire at the earliest of:-

(1) the conclusion of our Company's next annual general meeting unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions,

(2) the expiration of the period within which our Company is required by the applicable Cayman Islands laws or our Articles to hold our next annual general meeting, or

(3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

See "Appendix V — Statutory and General Information — A. Further Information about our Group — 5. Written Resolutions of our sole Shareholder dated April 9, 2019" for further details.

REPURCHASE MANDATE

Our Directors were granted with the Repurchase Mandate to exercise all powers of our Company to repurchase no more than 10% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering.

This Repurchase Mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our securities are listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are made in accordance with all applicable laws and the requirements of the Listing Rules or of any other stock exchange on which our securities are listed. Further information required by the Stock Exchange to be included in this Prospectus regarding the repurchase of Shares by our Company is set out in "Appendix V — Statutory and General Information — B. Repurchase of our Shares".

The Repurchase Mandate will expire at the earliest of:

(1) the conclusion of our Company's next annual general meeting unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions,

(2) the expiration of the period within which our Company is required by the applicable Cayman Islands laws or our Articles to hold our next annual general meeting, or

(3) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate.

See "Appendix V — Statutory and General Information — A. Further Information about our Group — 5. Written Resolutions of our sole Shareholder dated April 9, 2019" for further details.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

Pursuant to the Cayman Islands Companies Law and the terms of our Articles, our Company may from time to time by ordinary resolution of our Shareholders (1) increase our capital, (2) consolidate and divide our capital into Shares of larger amount, (3) divided our Shares into several classes, (4) sub-divide our Shares into Shares of smaller amount, and (5) cancel any Shares which have not been taken. In addition, our Company may subject to the provision of the Cayman Islands Companies Law reduce our share capital or capital redemption reserve by our Shareholders passing a special resolution. See “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law — 2. Articles of Association — (iii) Alteration of Capital” for details.

Pursuant to the Cayman Islands Companies Law and the terms of our Articles, all or any of the special rights attached to our Shares or class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal of issued Shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the Shares of that class. See “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law — 2. Articles of Association — (ii) Variation of Rights of Existing Shares or Classes of Shares” for details.

Other than the circumstances above, certain corporate actions may require the approval of our Shareholders, which would be obtained in a general meeting. For details, see “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Companies Law”.

You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, as set out in "Appendix I — Accountant's Report". The consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are one of the leading leisure tourism groups in the tropical islands of Saipan and Guam, the U.S. territories located in the Western Pacific Region around 3,500 k.m., or a 5-hour flight, from Hong Kong. With tourism revenue close to US$2.5 billion in 2017, Saipan and Guam have each become a popular beach holiday destination for Asian Pacific travelers and benefit from tourism-driven government policies and gradual relaxation of visa and entry requirements. Between 2013 and 2017, tourist arrivals in Saipan and Guam grew on a CAGR basis at 10.8% and 3.9%, respectively. In Saipan, our principal base of operations, the market size of the leisure tourism industry reached US$581.5 million in 2017, of which we commanded a market share of 9.8% in terms of revenue. In the same year, we held a 33.7% market share in terms of revenue and 24.5% in terms of number of rooms sold in Saipan's hotels and resorts industry, and were the #1 market player by revenue, number of properties and number of rooms sold, according to Frost & Sullivan.

Founded in April 1997 under the distinct leadership of Chairman Tan (Chairman of our Board and a Non-Executive Director) and Dr. Henry Tan (an Executive Director, Vice Chairman of our Board and our Chief Executive Officer), both well-respected, committed entrepreneurs in Hong Kong and the Western Pacific Region, we have since grown from a single hotel in Saipan to a diversified and full-range leisure tourism business in Saipan, Guam and Hawaii that is segmented into **Hotels & Resorts Sector**, **Luxury Travel Retail Sector** and **Destination Services Sector**. For the 3 financial years ended December 31, 2018, our revenue was US$81.2 million, US$89.4 million and US$100.2 million, respectively, while our profit for the respective year was US$12.5 million, US$13.1 million and US$11.8 million.

BASIS OF PRESENTATION

The Historical Financial Information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The historical financial information has been prepared under the historical cost basis.

The preparation of the historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas when assumptions and estimates are significant to the historical financial information are disclosed in Note 4 in the Accountant's Report in Appendix I to this Prospectus.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by our Group consistently throughout the Track Record Period.

Impact of adoption of certain accounting policies and amendments

HKFRS 9 and HKFRS 15

HKFRS 9, "Financial instruments" and HKFRS 15, "Revenue from contracts with customers" have been adopted by us in the preparation of the Historical Financial Information throughout the Track Record Period.

We have assessed the effects of the adoption of HKFRS 9 and HKFRS 15 on our financial statements and identified the following areas that have been affected:

- Adoption of new impairment model: HKFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. We assessed that the adoption of the new impairment methodology would not result in significant difference on bad debt provision.

- Presentation of contract liabilities in the consolidated statements of financial position: HKFRS 15 requires separate presentation of contract liabilities in the consolidated statements of financial position. This has resulted in some reclassification in relation to our unsatisfied performance obligations. As of December 31, 2016, 2017 and 2018, contract liabilities of US$209,000, US$421,000 and US$453,000 respectively, should have been presented as "Advances from customers" if HKAS 18 be applied throughout the Track Record Period.

- Timing of revenue recognition: Revenue is recognized when or as the control of the asset is transferred to the customer. Depending on the terms that apply to the contract, control of the asset may transfer over time or at a point in time. Based on our assessment, the adoption of HKFRS 15 would not result in significant differences in our amount of revenue recognized during the Track Record Period as the timing of revenue recognition under HKFRS 15 is the same under HKAS 18.

Based on our above assessment, we consider that the adoption of HKFRS 9 and HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Conditions in the major destinations of our travel products and services

During the Track Record Period, our revenue, which was generated from the Hotels & Resorts Sector, Luxury Travel Retail Sector and Destination Services Sector, may be materially affected by any deterioration in the travelers' sentiment to travel and their demand for our products and services offering. Our business could be adversely affected by the occurrence of various catastrophic events taken place in Saipan and Guam, among other things, natural disasters, terrorist attacks, accidents, contagious diseases, termination of existing visa waiver or parole policies to enter the CNMI and/or Guam for tourists from our key tourist origin markets and the recent threats of the Sino-U.S. trade war as well as the conflicts between the U.S. and North Korea, which are beyond our control. See "Risk Factors - Risks associated with our leisure tourism business" for details. Occurrence of such events could result in adverse conditions in the affected regions and bring significant adverse effect to overall travelers' sentiment of traveling to these particularly affected regions, which could in turn materially and adversely affect our revenue which is primarily driven by the sale of our hotel and resort accommodation. Accordingly, the occurrence of catastrophic events in Saipan and Guam of our products and services offering could bring material adverse effect on our profitability and our results of operation.

General economic conditions and travelers' preference in Asian countries

Our results of operations is susceptible to the economic conditions and customer preference in Asian countries especially China, South Korea and Japan where the majority of inbound travelers of Guam and Saipan come from. Any downturn in the economy of these jurisdictions or any change of travelers' preference on the travel-destination could have a material adverse effect to the demand for our products and services, our business and results of operations.

Seasonality and cyclicality

Our leisure tourism business is subject to the seasonal cycles of the leisure tourism market in Saipan, Guam and other locations. The leisure tourism market of Saipan and Guam, similar to other beach holiday destinations, are considered "tropical escapes". Our peak seasons thus fall in winter of our key origin markets such as China, South Korea, Japan and Taiwan from December to February, which also coincide with school and public holiday in these markets such as Thanksgiving, Christmas, New Year and Lunar New Year. Another peak season would be the school holidays in July and August, bring influx of family travelers into Saipan and Guam. Our leisure tourism business has, to a certain extent, relied on the performance in these peak seasons. Any failure to perform in these peak seasons may affect our full-year results. As such, any comparison of sales and results of operations between different periods within a single financial year for our Group may not be meaningful and should not be relied upon as indicators of our performance. Also, our trade receivables as of each year end may not reflect the whole year's or period's turnover, as the amount as of year end would be different than other points of time during the year.

Flight schedules and price of flights

Our business depends on the number of travelers in Saipan and Guam, which in turn is highly reliant on the supply of flights and the price of the flights to and from each of Saipan and Guam. These flights could be regular flights or chartered flights. We do not maintain any contracts with airlines and we do not have any control over their business decision on flight operations and pricing. If there is any suspension or cancellation of flights to Saipan and Guam, the number of tourist arrivals will decrease and our results of operations and the competition in the leisure tourism market in Saipan and Guam might intensify, which could in turn lead to an unfavorable market environment for our operations across different business sectors.

Room rates and occupancy trend

The results of our Hotel and Resorts Sector are dependent on the room rates we charge and the occupancy rates of our hotels and resorts. Room rates and occupancy rates of our hotels are influenced by a number of factors, such as room rates of our competitors, availability and supply of hotel rooms in the respective regions, market demand, the quality of our services provided, and the market conditions in Saipan and Guam. Any adverse changes to the above factors may adversely affect the results of our operations.

The following sensitivity analysis illustrates the impact of certain hypothetical fluctuations of our (i) room rates and (ii) occupancy rates on our profit before tax during the Track Record Period. Based on the relevant historical changes, hypothetical fluctuations of our room rates are assumed to be 5%, 10% and 15%, while those of our occupancy rate are assumed to be 1%, 3% and 5%.

	Changes in room rates		
	+/- 5%	**+/- 10%**	**+/- 15%**
	US$'000	*US$'000*	*US$'000*
Increase/decrease in net profit			
For the financial year ended December 31, 2016	+/-1,875	+/-3,750	+/-5,625
For the financial year ended December 31, 2017	+/-1,917	+/-3,833	+/-5,750
For the financial year ended December 31, 2018	+/-2,163	+/-4,326	+/-6,490

	Changes in Occupancy rates		
	+/- 1%	**+/- 3%**	**+/- 5%**
	US$'000	*US$'000*	*US$'000*
Increase/decrease in net profit			
For the financial year ended December 31, 2016	+/-412	+/-1,236	+/-2,060
For the financial year ended December 31, 2017	+/-415	+/-1,245	+/-2,074
For the financial year ended December 31, 2018	+/-467	+/-1,400	+/-2,334

Competition from other hotel operators

Our revenue is subject to the effects to the highly competitive hotel and resort industry in Saipan and Guam. According to the Industry Report, the hotels industry faced a more intense competition over the past years in both Saipan and Guam, with an increase in available hotel rooms from 2,327 room nights in 2013 to 2,980 room rights in 2017, representing a CAGR of 6.4% in Saipan, during the period; and with an increase in available hotel rooms from 8,443 room nights in 2013 to 8,883 room nights in 2017, representing a CAGR of 1.3% in Guam, during the period. With this keen competition, if we are unable to offer quality services to meet our customers' demands with competitive pricings and preferences as a results of changing market conditions or consumers taste, we may not be able to maintain our competitiveness in the hotel industry and our market share, which could in turn materially and adversely affect our business financial conditions and results of operation. Furthermore, the periodic oversupply of hotel and resort accommodation of the locations of our hotels may also intensify the competition and adversely affect our occupancy levels and room rates, hence, affects our results of operation.

Adoption of HKFRS 16 Leases

During the Track Record Period, our Group was lessee under various lease arrangements related to our business operation. Our current accounting policy for such leases is set out in note 2.25 of the Accountant's Report in Appendix I to this Prospectus. As of December 31, 2018, our total non-cancellable operating lease commitments amounted to US$29.5 million.

During the Track Record Period, our future operating lease commitments were not reflected in our consolidated statements of financial position. HKFRS 16 "Leases", which we expect to apply for the first time for our financial year beginning on January 1, 2019, provides new provisions for the accounting treatment of leases and will in the future upon adoption of the standard no longer allow lessees to recognize certain leases outside of the statement of financial position. Instead, for all leases with a term of more than 12 months, unless the underlying asset is of low value, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There are certain recognition exemptions under HKFRS 16 that a lessee may elect in respect of short-term leases (leases that, at the commencement date of the respective leases, have a lease term of 12 months or less) and leases for which the underlying asset is of low value. The new standard will therefore result in an increase in right-of-use assets and an increase in lease liabilities in our consolidated statement of financial position after the adoption of new standard. This will affect our related financial ratios, such as an increase in debt to equity ratio. We do not have any existing debt covenants that are directly affected by change in our lease liability position. In our consolidated statement of comprehensive income after the adoption of the new standard, the financial impact of leases will be recognized in the future as depreciation of the right-of-use assets and will no longer be recorded as rental expenses. Interest expenses on the lease liability will be presented separately under finance costs. As a result, the rental expense under otherwise identical circumstances will decrease, while depreciation and interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to statement of comprehensive income in the initial year of the lease, and decreasing expenses during the latter part of the lease term. Further details of the application of HKFRS 16 are set out in note 2.1 of the Accountant's Report in Appendix I to this Prospectus.

Operating costs

Our major operating costs include cost of inventories sold and employee benefit expenses, which accounted for 9.6%, 11.3% and 15.8% and 22.5%, 23.8% and 24.0%, respectively, of our total revenue for the 3 financial years ended December 31, 2018, respectively.

The following sensitivity analysis illustrates the impact of certain hypothetical fluctuations of our (i) cost of inventories sold and (ii) employee benefit expenses on our profit before tax during the Track Record Period. Based on the relevant historical changes, hypothetical fluctuations of our cost of inventories sold are assumed to be 10%, 20% and 30%, while those of our employee benefit expenses are assumed to be 5%, 10% and 15%.

	Changes in cost of inventories sold		
	+/- 10%	+/- 20%	+/- 30%
	US$'000	*US$'000*	*US$'000*
Decrease/increase in profit before tax			
For the financial year ended December 31, 2016	-/+ 784	-/+1,568	-/+2,351
For the financial year ended December 31, 2017	-/+1,014	-/+2,029	-/+3,043
For the financial year ended December 31, 2018	-/+1,584	-/+3,168	-/+4,752

	Changes in employee benefits expenses		
	+/- 5%	+/- 10%	+/- 15%
	US$'000	*US$'000*	*US$'000*
Decrease/increase in profit before tax			
For the financial year ended December 31, 2016	-/+ 914	-/+1,829	-/+2,743
For the financial year ended December 31, 2017	-/+1,062	-/+2,123	-/+3,185
For the financial year ended December 31, 2018	-/+1,204	-/+2,408	-/+3,612

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENT

We have identified certain accounting policies that are significant to the preparation of our Group's consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates on (i) provision for impairment of trade and other receivables; (ii) estimated useful lives of property, plant and equipment; and (iii) current and deferred income tax; we had not noted material difference of our estimates from the actual results during the Track Record Period. Also, we had not experienced any change in estimates nor its underlying assumptions in the past. The method and assumptions on such estimates will unlikely be changed in the future. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set out below. See notes 2 and 4 of the Accountant's Report set out in Appendix I to this Prospectus for details.

Revenue recognition

Our Group recognizes revenue when the specific criteria have been met for each of our Group's activities, as described below. See note 2.24 of the Accountant's Report set out in Appendix I to this Prospectus for details.

(a) ***Hotel and hospitality***

Hotel and hospitality mainly includes full service hotels operation and select service hotels operation within which our Group provides hotel accommodations, food and beverage and other hospitality in Saipan and Guam. We self-operate all our hotels and resorts. Room revenue is recognized over time in the accounting period which the hotel accommodation services are transferred to the customers.

Revenue from food and beverage recognized at a point of time when the food and beverage are delivered to the customers.

Rental income received or receivable under operating leases is recognized in the consolidated statements of comprehensive income in equal installments over the periods covered by the lease terms. Contingent rentals are recognized as income in the accounting period in which they are earned.

(b) ***Retail sales of luxury accessories, souvenirs and others***

Our Group procures merchandise from suppliers and sells products directly to customers in our self-operated boutiques, in which the revenue is recognized at a point of time when the control of the products is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and our Group has present right to payment and the collection of the consideration is probable. Our Group controls the products in these transactions and, therefore, our Group is the principal and revenue is recognized on a gross basis. Our Group does not provide any sales-related warranties. There is no right of return by customers under our Group's standard contract terms.

(c) ***Excursion tour operation and land arrangement services***

Our Group provides short-term self-operated excursion tour operation and land arrangement services for the tourists in Saipan. Revenue for excursion tours is recognized over time in accounting period in which the control of services are transferred to the customer because the customer simultaneously receives and consumes benefits provided by our Group's performance as it performs. Payment is made to us before the customers enjoy the tour service. Our Group considers that it is a principal in providing its services. Commission income for the land arrangement activities is recognized when the services are rendered to the customers. Our Group considered that it is an agent in providing these services. Payment is made in advance by the time the reservation is confirmed by us.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	20 to 48 years
Renovation and leasehold improvements	Shorter of lease term or 10-15 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each period-end date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized in the consolidated statements of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first out ("**FIFO**") method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Hotel consumables are expensed-off as incurred.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

For further details of the accounting policy of our trade and other receivables and a description of our Group's impairment policies, See "Appendix I — Accountant's Report — note 2.11" and "- Critical judgments in applying accounting policies — (i) Provision for impairments of trade and other receivables" below for details.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that our Directors have made in the process of applying our Group's accounting policies and that have the most significant effect on the amounts recognized in the historical financial information. Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) ***Provision for impairments of trade and other receivables***

Our management determines the provision for impairment of trade and other receivables on a forward looking basis and the expected lifetime losses are recognized from initial recognition of the assets. The provision matrix is determined based on our Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month expected credit losses. In making the judgment, management considers available reasonable and supportive forwarding-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed by our management.

(ii) ***Estimated useful lives of property, plant and equipment***

Our management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The useful lives could be changed as a results of asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. Management will change the depreciation charge where useful lives are different from the previously estimated lives.

(iii) ***Current and deferred income tax***

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iv) ***Net realizable value of inventories***

We write down inventories to net realizable value based on an assessment of the realizability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(v) ***Asset acquisition***

Our Group's management assesses each transaction to determine whether the assets acquired are businesses or a group of assets that do not constitute a business. During the Track Record Period, our Directors have concluded that certain acquisitions are property acquisitions and are accounted for in accordance with HKAS 16 Property, Plant and Equipment. In the opinion of our Directors, these assets did not constitute businesses as defined in HKFRS 3 Business Combinations, as there were no processes identified and acquired within these assets to warrant classification as businesses. These missing processes were significant in generating output and could not be easily replicated by a market participant in relatively short period.

RESULTS OF OPERATIONS

The following table summarizes the consolidated statements of comprehensive income from the consolidated financial statements during the Track Record Period, details of which are set out in the "Appendix I — Accountant's Report".

	For the financial year ended December 31					
	2016		2017		2018	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Revenue	81,238	100.0	89,430	100.0	100,178	100.0
Cost of inventories sold	(7,838)	(9.6)	(10,143)	(11.3)	(15,839)	(15.8)
Food and beverage costs	(6,269)	(7.7)	(6,636)	(7.4)	(6,367)	(6.4)
Employee benefit expenses	(18,289)	(22.5)	(21,231)	(23.8)	(24,083)	(24.0)
Utilities, repairs and maintenance	(6,010)	(7.4)	(6,924)	(7.7)	(6,887)	(6.9)
Operating lease expenses	(2,824)	(3.5)	(3,136)	(3.5)	(5,411)	(5.4)
Other (losses)/gains, net	(40)	(0.0)	(70)	(0.1)	8	—
Operating and other expenses	(25,680)	(31.7)	(25,557)	(28.6)	(29,180)	(29.1)
Operating profit	14,288	17.6	15,733	17.6	12,419	12.4

	For the financial year ended December 31					
	2016		2017		2018	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Finance income	—	—	45	0.1	11	—
Finance costs	(62)	(0.1)	(45)	(0.1)	(11)	—
Finance costs, net	(62)	(0.1)	—	—	—	—
Profit before income tax	14,226	17.5	15,733	17.6	12,419	12.4
Income tax expenses	(1,757)	(2.2)	(2,601)	(2.9)	(650)	(0.6)
Profit for the year	12,469	15.3	13,132	14.7	11,769	11.8

DESCRIPTION AND MANAGEMENT DISCUSSION AND ANALYSIS OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue of US$81.2 million, US$89.4 million and US$100.2 million, respectively. Our business segments include (1) Hotels & Resorts Sector, (2) Luxury Travel Retail Sector, and (3) Destination Services Sector, the revenue breakdown of which is as follows:

	For the financial year ended December 31					
	2016		2017		2018	
	US$'000	%	*US$'000*	%	*US$'000*	%
Hotels & Resorts Sector	63,084	77.6	67,094	75.0	66,597	66.5
Luxury Travel Retail Sector	13,873	17.1	17,488	19.6	28,979	28.9
Destination Services Sector	4,281	5.3	4,848	5.4	4,602	4.6
	81,238	100.0	89,430	100.0	100,178	100.0

The table below shows a breakdown of our segment results and segment margin during the Track Record Period by sectors:-

	For the financial year ended December 31								
	2016			2017			2018		
Sector	**Segment results**		**Segment margin**	**Segment results**		**Segment margin**	**Segment results**		**Segment margin**
	(US$'000)	%	%	*(US$'000)*	%	%	*(US$'000)*	%	%
Hotels & Resorts	12,970	90.5	20.6	14,061	89.0	21.0	13,521	90.6	20.3
Luxury Travel Retail	527	3.7	3.8	697	4.4	4.0	468	3.1	1.6
Destination Services	831	5.8	19.4	1,045	6.6	21.6	939	6.3	20.4
	14,328	100.0	—	15,803	100.0	—	14,928	100.0	—

Hotels & Resorts Sector

Our revenue from our Hotels & Resorts Sector, being the operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam, amounted to US$63.1 million, US$67.1 million and US$66.6 million, representing 77.6%, 75.0% and 66.5% of our total revenue for the 3 financial years ended December 31, 2018, respectively. Our revenue from Hotels & Resorts Sector mainly represents the revenue derived from our occupied room nights in our hotels and sale of food and beverage, the breakdown of which is set out below:

	For the financial year ended December 31					
	2016		2017		2018	
	US$'000	*%*	*US$'000*	*%*	*US$'000*	*%*
Room	42,783	67.8	45,925	68.4	45,652	68.5
Food and beverages, meetings and banquet	18,384	29.1	18,901	28.2	18,886	28.4
Rental [(1)]	1,136	1.9	1,130	1.7	1,120	1.7
Other hospitality [(2)]	781	1.2	1,138	1.7	939	1.4
Total	63,084	100.0	67,094	100.0	66,597	100.0

Notes:

(1) Rental income primarily represents income from rental of stores of our hotel premises.

(2) Income from other hospitality mainly includes late check-out charges, cancellation charges, laundry income, sale of items from mini bar, smoking fee and extra bed charges.

Our revenue from Hotels & Resorts Sector increased throughout the Track Record Period mainly as a result of increasing visitors to Saipan and Guam.

By hotels

The following table sets forth a breakdown of our room revenue generated from each of our hotel complexes for the years indicated:-

	For the financial year ended December 31, 2016											
	Saipan								Guam			
	Fiesta Resort Saipan		Kanoa Resort		Century Hotel		Saipan Sub-total		Fiesta Resort Guam		Total	
		%		%		%		%		%		%
Number of rooms available	151,840	42.0	81,760	22.6	12,045	3.3	**245,645**	**67.9**	116,070	32.1	**361,715**	**100.0**
Number of rooms sold	145,024	44.1	73,376	22.3	10,792	3.3	**229,192**	**69.7**	99,793	30.3	**328,985**	**100.0**
Room revenue (US$'000)	20,894	48.8	7,656	17.9	869	2.0	**29,419**	**68.7**	13,364	31.3	**42,783**	**100.0**
Occupancy rate (%)	95.5	—	89.7	—	89.6	—	**93.3**	**—**	86.0	—	**91.0**	**—**
Average room rate (US$)	144.1	—	104.3	—	80.5	—	**128.4**	**—**	133.9	—	**130.0**	**—**
RevPAR (US$)	137.6	—	93.6	—	72.1	—	**119.8**	**—**	115.1	—	**118.3**	**—**

	For the financial year ended December 31, 2017											
	Saipan								Guam			
	Fiesta Resort Saipan		Kanoa Resort		Century Hotel		Saipan Sub-total		Fiesta Resort Guam		Total	
		%		%		%		%		%		%
Number of rooms available	151,840	42.0	81,760	22.6	12,045	3.3	**245,645**	**67.9**	116,070	32.1	**361,715**	**100.0**
Number of rooms sold	146,933	44.0	79,868	23.9	11,664	3.5	**238,465**	**71.4**	95,601	28.6	**334,066**	**100.0**
Room revenue (US$'000)	22,188	48.3	9,126	19.9	1,044	2.3	**32,358**	**70.5**	13,567	29.5	**45,925**	**100.0**
Occupancy rate (%)	96.8	—	97.7	—	96.8	—	**97.1**	**—**	82.4	—	**92.4**	**—**
Average room rate (US$)	151.0	—	114.3	—	89.5	—	**135.7**	**—**	141.9	—	**137.5**	**—**
RevPAR (US$)	146.1	—	111.6	—	86.7	—	**131.8**	**—**	116.9	—	**127.0**	**—**

	For the financial year ended December 31, 2018											
	Saipan								Guam			
	Fiesta Resort Saipan		Kanoa Resort		Century Hotel		Saipan Sub-total		Fiesta Resort Guam		Total	
		%		%		%		%		%		%
Number of rooms available	151,763	42.3	81,142	22.6	11,869	3.3	**244,774**	**68.2**	113,850	31.8	**358,624**	**100.0**
Number of rooms sold	140,290	43.0	72,346	22.2	10,515	3.2	**223,151**	**68.4**	102,920	31.6	**326,071**	**100.0**
Room revenue (US$'000)	21,495	47.1	8,751	19.2	925	2.0	**31,171**	**68.3**	14,481	31.7	**45,652**	**100.0**
Occupancy rate (%)	92.4	—	89.2	—	88.6	—	**91.2**	**—**	90.4	—	**90.9**	**—**
Average room rate (US$)	153.2	—	121.0	—	88.0	—	**139.7**	**—**	140.7	—	**140.0**	**—**
RevPAR (US$)	141.6	—	107.9	—	78.0	—	**127.4**	**—**	127.2	—	**127.3**	**—**

Our revenue from Hotels & Resorts Sector is susceptible to the achieved average room rate and occupancy rate. Average room rate and occupancy rate were mainly affected by competition, availability and supply of hotel rooms in the area. Our overall room rates generally increased during the Track Record Period mainly due to price adjustment consistent with our pricing strategy. Our occupancy rates of hotels in Saipan are generally over 90% while occupancy rate of hotel in Guam is above 80%, which remained relatively stable throughout the Track Record Period. We experienced general increase in overall occupancy rate from the financial year ended December 31, 2016 to the financial year ended December 31, 2017 mainly as a result of increase in number of tourists visiting Saipan and Guam, except for the slight decrease in occupancy rate of Guam for the financial year ended December 31, 2017 primarily attributable to the decrease in Japanese tourists to Guam as a result of the suspension of certain regular flights from Japan to Guam in September 2017 due to operational reasons of the relevant airlines. These lost capacity was compensated by (1) launch of seasonal chartered flights between Japan and Guam, (2) launch of new regular flights between Japan and Guam, and (3) resumption of a number of suspended regular flights. The remaining suspended regular flights are expected to be re-launched in 2019. We expect that the number of available airline seats between Japan and Guam will gradually recover in line with the industry data and market trend set out in "Industry Overview". Our occupancy rate was relatively higher in 2017 primarily driven by the significant increase in tourists, in particular South Korean tourists, arriving in Saipan, which is consistent with the Industry Report. Consequently, our RevPAR increased from US$118.3 for the financial year ended December 31, 2016 to US$127.0 for the financial year ended December 31, 2017.

For the financial year ended December 31, 2018, the operating performance of our Hotels & Resorts Sector was slightly impacted by Super Typhoon Yutu, which tore through Saipan on October 24, 2018 and caused temporary closure of the Saipan International Airport and temporary suspension of commercial flights for inbound travelers. We did not experience any structural or permanent damage and our hotels and resorts (as well as our travel retail boutiques and other tourism assets) were operational immediately after. By early December 2018, airport had re-opened, tourism activities had gradually returned to normal, and a majority of inbound commercial flights had resumed.

We consider that Super Typhoon Yutu did not have a material or long-lasting effect on our business operations, financial conditions and results of operations. The period of airport closure and suspension of commercial flights into Saipan, being the month of November, is traditionally a low season for us and the leisure tourism market as a whole. Solely for potential investors' reference only and based on our unaudited management accounts, our ARR in Saipan remained on an upward trend between November 2017 and 2018 and grew from around US$125.6 to US$142.8 on a year-on-year basis. On the other hand, our occupancy rate and RevPAR in Saipan reduced from around 93.0% to 68.6% and around US$116.8 to US$97.9, respectively, during the same periods. Our operating performance in Saipan in November 2018 can be attributed to (1) a short-term decline of the occupancy level of our *Kanoa Resort* and *Century Hotel* level due to temporary suspension of incoming tourists, and (2) *Fiesta Resort Saipan* hosted a large number of U.S. military, utilities suppliers and relief workers, which largely offset the decline in occupancy level and generated higher room rates. These impacts were largely offset on a full-year basis and our encouraging performance in Guam, which saw a higher contribution of bookings through OTAs (a booking channel that traditionally commands a bigger margin). For our Group taken as a whole, we recorded an increase in both our ARR and RevPAR and experienced a slightly reduction in our occupancy level from 92.4% to 90.9% between the financial years ended December 31, 2017 and 2018.

Potential investors should carefully read "Risk Factors — Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect demand for travel activities or a general apprehension of such events may significantly and adversely impact on our business and operating results".

During the Track Record Period, the number of rooms available or sold fluctuated slightly as a result of difference in number of days in each calendar year and subject to conditions of certain rooms. See "Business — A. Hotels & Resorts Sector — Hotel and Resort Offering — Accommodation Offering" of each of the hotels for details.

By booking channels

During the Track Record Period, our hotel guests mainly came from China, South Korea and Japan. Our booking channels are extensive and multi-faceted, which sell and market accommodation primarily through (i) bulk reservations by online and offline tour operators, which often bundle them into holiday packages and on-sell either directly to end-guests or through other travel agents; and (ii) individual reservations through traditional travel agents (TTAs), online travel agents (OTAs) as well as our own websites and direct hotel bookings. The table below shows the sector revenue of Hotels & Resorts Sector by booking channels during the Track Record Period:-

Booking channels	For the financial year ended December 31 2016 (US$'000)	2016 %	2017 (US$'000)	2017 %	2018 (US$'000)	2018 %
Reservations in bulk						
Tour operators(1)	28,104	44.6	26,953	40.2	25,672	38.5
Individual reservations						
Online travel agents (OTA)(1)	8,645	13.7	11,704	17.4	12,196	18.3
Traditional travel agents (TTA)(1)	614	1.0	813	1.2	249	0.4
Direct booking(1)	6,681	10.6	6,468	9.6	8,209	12.3
Sub-total	***15,940***	***25.3***	***18,985***	***28.2***	***20,654***	***31.0***
Others(2)	19,040	30.1	21,156	31.6	20,271	30.5
Hotels & Resorts Sector	**63,084**	**100.0**	**67,094**	**100.0**	**66,597**	**100.0**

Notes:

(1) These figures include our in-house guests' spending on food and beverage and other hospitality and amenities that are purchased at the time of booking.

(2) "Others" includes the food and beverage and other hospitality and amenities income purchased by our in-house guests on an ad hoc basis and derived from non in-house guests, as well as rental income generated from third-party operated services and facilities.

The hotel-booking landscape has changed materially over the last few years, and is expected to continue to do so, mainly driven by the growth of online booking channels such as OTAs and the strength of their membership loyalty programs. With the growing penetration of online travel agencies (OTA) and traveler tendency to purchase holiday accommodation as an individual component for their holidays, our booking channel mix has been tilting towards OTAs, which recorded an average sector revenue contribution of 13.7% and 18.3% for the financial year ended December 31, 2016 and 2018, respectively, representing a growth of 4.6% in terms of sector revenue contribution over the Track Record Period.

Luxury Travel Retail Sector

Luxury Travel Retail Sector represents our sales of luxury accessories in our boutiques across Saipan, Guam and Hawaii. We record revenue from our retail sales of US$13.9 million, US$17.5 million and US$29.0 million, representing 17.1%, 19.6% and 28.9% of our total revenue for the 3 financial years ended December 31, 2018, respectively. Our revenue contribution from retail of luxury accessories increased throughout the Track Record Period mainly due to increase in number of boutiques.

During the Track Record Period, the number of boutiques as of the end of the respective year were 8, 12 and 17 boutiques. We achieved a general growth in our number of transactions and per transaction spending in Saipan and Guam, in line with (1) the positive development in tourist arrivals and per traveler expenditure in these destinations during the same periods, and (2) the number of boutiques we operate. The performance of our Hawaii boutiques, the latest addition to our travel retail profile, is still within its ramp-up period but has shown positive operating results riding on their existing market penetration under the former operator. The per transaction spending we recorded in Hawaii is generally lower than its Guam and Saipan counterparts due to the pricing level and market positioning of the American leisure accessories brand we offer in Hawaii. See "Business — B. Luxury Travel Retail Sector — Key Operating Metrics — Operating statistics" for details.

During the Track Record Period, we offered 8, 8 and 9 brands as of the end of the respective year which was relatively stable. The table below shows the year-to-year revenue growth rate of our brands:-

	For the financial year ended December 31	
Revenue growth rate (%)	**2017**	**2018**
Brand A	36.4	42.6
Brand B	—	81.9
Brand C	2.3	41.0
Brand D	32.2	17.8
Brand E	-16.2	-0.8
Brand F	-7.9	506.4
Brand G	—	—
Brand H	-22.9	0.5

Revenue growth rate of our brands is driven by (1) the public image and recognition of the relevant brand and its marketing position among the leisure travelers in the Western Pacific Region that are mainly originated from China, South Korea and Japan, (2) the popularity of the relevant merchandises from time to time, (3) the number of boutiques we operate in Saipan, Guam and Hawaii, and (4) whether the relevant merchandises offered by the brand align with the trends and preferences (including color and finishing) for the leisure travelers in the Western Pacific region. During the Track Record Period, as we had launched a new boutique for each of Brand A, Brand B, Brand C and Brand D in Saipan, being then a new geographical market to our Luxury Travel Retail Sector, the revenue growth rate for these brands saw a significant increase. Similarly, by taking over the Hawaii operations of a network of 5 Brand F boutiques, we have witnessed a significant increase in the revenue derived from Brand F in 2018. The negative revenue growth rate for Brand E and Brand H can be attributed to the declining market demand for their merchandises. We regularly evaluate our brand collection and, if necessary, may consider discontinuing our relationship with a particular brand taking into account its market demand and the operating performance of the relevant boutique(s).

See "Business — B. Luxury Travel Retail Sector — Brand Offering — Brand Turnover" for details.

We acquired Gemkell Guam to embark on our Luxury Travel Retail Sector in August 2014. As (1) we require a ramp-up period to improve operating efficiency and performance, and (2) we took the time to evaluate the brand and merchandise portfolio at the time before gradually phasing out certain under-performing brands and boutiques, we recorded a loss in the segment results of our Luxury Travel Retail Sector prior to the financial year ended December 31, 2016. During the Track Record Period, we consistently recorded positive segment results for our Luxury Travel Retail Sector as a whole. Only 2 of our boutiques launched during the Track Record Period operated on a net operating loss (one of which was launched in May 2017 and requires a longer breakeven and ramp-up period due to the relatively higher market position of Brand D in terms of pricing and customer perception, and the other was launched in April 2018 as part of our expansion into Hawaii which is still ramping up). All of our boutiques were funded with our internal resources.

Destination Services Sector

Our Destination Services Sector is a Saipan-based land operator which offers 3 unique excursion tours that are considered by many as key attractions of the island itself: *SeaTouch* (a stingray interaction experience), *Let's Go Tour* (a 4-wheel drive jungle and mountain adventure) and *Jetovator* (a hydro-powered jetski that propels participants through the air). We also (1) run 3 iShop souvenir and amenities stores, (2) offer booking services for third-party operated activities and tours, and (3) work with tour operators to provide ground handling and concierge services to their packaged holiday guests.

For the 3 financial years ended December 31, 2018, our Destination Services Sector recorded a sector revenue of US$4.3 million, US$4.8 million and US$4.6 million, respectively, contributing 5.3%, 5.4% and 4.6% of our total revenue during the same periods, which remained relatively stable throughout the Track Record Period.

Cost of inventories sold

Our cost of inventories sold comprised of costs of merchandises sold under our Luxury Travel Retail Sector and Destination Services Sector. During the Track Record Period, we have entered into franchise and distribution agreement with various brands, majority of which include minimum purchase amounts. During the Track Record Period, we have not experienced any difficulty in fulfilling the minimum purchase amounts. For details, see "Business — B. Luxury Travel Retail Sector". For the 3 financial years ended December 31, 2018, our cost of inventories sold amounted to US$7.8 million, US$10.1 million and US$15.8 million, respectively, representing 9.6%, 11.3% and 15.8% of our total revenue for each of the respective periods. Our cost ratio of inventories sold, being the cost of inventories divided by the total revenue from our retailing revenue from our Luxury Travel Retail Sector and Destination Services Sector, were 51.1%, 52.9% and 51.9%, which was relatively stable throughout the Track Record Period.

Food and beverage costs

Our food and beverage costs primarily comprise of the cost of food ingredients and beverages consumed in our restaurants, bars and banquets in our hotels and resorts in Saipan and Guam, from which we generated food and beverage revenue under our Hotels & Resorts Sector. During the Track Record Period, our food and beverage costs under our Hotels & Resorts Sector amounted to US$6.3 million, US$6.6 million and US$6.4 million, respectively, representing 7.7%, 7.4% and 6.4% of our total revenue for each of the respective periods. Our cost ratio of food and beverage, being the cost of food and beverage divided by the total revenue derived from the food and beverage under our Hotels & Resorts Sector, were 34.1%, 35.1% and 33.7%, which was relatively stable throughout the Track Record Period.

Employee benefit expenses

Our employee benefit expenses, including directors' remunerations, primarily comprise of (i) wages, salaries, bonuses and allowances; (ii) staff welfare and benefits; and (iii) defined pension scheme contribution. Our changes in employee benefit expenses was affected by the increase in headcount and the compensation level of the respective operating locations during the relevant years.

With reference to the increase in minimum wage in Saipan and Guam, where most of our employee were located in, we also increased the compensation level for our staff during the Track Record Period. For the 3 financial years ended December 31, 2018, our employee benefit expenses amounted to US$18.3 million, US$21.2 million and US$24.1 million, respectively, representing 22.5%, 23.8% and 24.0% of our total revenue for each of the respective periods.

Utilities, repairs and maintenance

Our utilities mainly represent expenses incurred for gas, electricity and water charges whereas our repairs and maintenance were incurred directly and mainly for our hotels, boutiques, offices and warehouses. During the Track Record Period, our utilities, repairs and maintenance amounted to US$6.0 million, US$6.9 million and US$6.9 million, respectively representing 7.4%, 7.7% and 6.9% of our total revenue for each of the respective periods.

Operating lease expenses

Operating lease expenses primarily consist of rental payments, land leases, leased premises for our offices and warehousing units. For the 2 financial years ended December 31, 2017, our operating lease expenses amounted to US$2.8 million and US$3.1 million, respectively, representing 3.5% and 3.5% of our total revenue for each of the respective years, which remained relatively stable. For the financial year ended December 31, 2018, our operating lease expenses was US$5.4 million and accounted for 5.4% of our total revenue, which was relatively higher compared to those of other years mainly as a result of the launching of 3 boutiques in Saipan and 1 boutique in Guam since May 2017, 1 boutique in Saipan since November 2017 and 5 boutiques under Brand F in Hawaii since April 2018.

Other (losses)/gains, net

We have recorded other net losses of US$40,000, US$70,000 for the 2 financial years ended December 31, 2017, respectively; and a net gain of US$8,000 for the financial year ended December 31, 2018. Other (losses)/gains, mainly comprise (i) (loss)/gain on disposals of property, plant and equipment as a result of retirement of existing renovation and leasehold improvements due to the closure of certain boutiques; and (ii) write-off of intangible assets.

Operating and other expenses

The following table sets forth a breakdown of our operating and other expense for the years indicated:

	For the year ended December 31					
	2016		2017		2018	
	(US$'000)	%	*(US$'000)*	%	*(US$'000)*	%
Depreciation and amortization	5,651	22.0	5,477	21.4	6,103	20.9
Other taxes and licenses[(1)]	4,031	15.7	4,413	17.3	4,928	16.9
Supplies and tools	2,850	11.1	3,127	12.2	3,192	10.9
Shared-services expenses[(2)]	1,304	5.1	1,220	4.8	1,198	4.1
Commission expenses[(3)]	1,582	6.2	2,167	8.4	2,522	8.6
Laundry expenses	1,230	4.8	1,476	5.8	1,342	4.6
Insurance expenses	831	3.2	880	3.4	1,122	3.8
Bank charges	590	2.3	632	2.5	855	2.9
Temporary labor costs [(4)]	1,865	7.3	1,534	6.0	689	2.4
Listing expenses	—	—	—	—	2,517	8.6
Donations	1,249	4.9	203	0.8	201	0.7
Promotion expenses	634	2.4	448	1.8	924	3.2
Professional fee	175	0.7	224	0.8	241	0.8
Others[(5)]	3,688	14.3	3,756	14.8	3,346	11.6
	25,680	100.0	25,557	100.0	29,180	100.0

Notes:

(1) Other taxes and licenses mainly represent (i) business gross receipt tax in the CNMI and Guam and employer's share of tax under The Federal Insurance Contributions Act (the "**FICA Tax**"); and (ii) royalty fee to certain brand owners for retail of luxury accessories.

(2) Shared-services expenses represents the sharing of corporate and administrative expenses from certain related parties in relation to certain corporate support function.

(3) Commission expenses represents credit card commission to financial institutions, commission to travel agencies and tour guide.

(4) Temporary labor costs pertain to the outsourced labor of our Group from agencies.

(5) Others mainly represent communication, transportation and entertainment expenses.

During the Track Record Period, our operating and other expenses amounted to US$25.7 million, US$25.6 million and US$29.2 million, respectively representing 31.7%, 28.6% and 29.1% of our total revenue for each of the respective periods.

Finance costs, net

Finance cost mainly represent bank interest expense amounted to US$62,000, US$45,000 and US$11,000, respectively, for the 3 financial years ended December 31, 2018. For the 2 financial years ended December 31, 2018, the interest income represented interest on loan to the intermediate holding company.

Income tax expense

Income tax expense represents income tax paid or payable at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction we operate or domicile.

(i) ***Guam***

In May 2017, our Qualifying Certificate for Tourist Class Hotel, which gave APHI Guam a 75% rebate of corporate income taxes (but not business privilege taxes which we remained to be fully responsible for), expired. The impacts of this certificate were partially offset by the introduction of a fixed corporate income tax rate of 21% in both the CNMI and Guam in lieu of a progressive tax rate of 15% to 39%, effective on January 1, 2018. For the 3 financial years ended December 31, 2018, our applicable tax rates in Guam were 34%, 34% and 21%, respectively. Our income tax expense in Guam remained at US$0.3 million and US$0.3 million for the financial years ended December 31, 2017 and 2018, respectively, and our effective tax rate in Guam increased from 11.8% to 17.3%, respectively, for the same periods.

(ii) ***The CNMI***

Our operating subsidiaries in the CNMI are subject to graduated (1.5% to 5%) Business Gross Revenue Tax ("**BGRT**"). Companies incorporated and operating in the CNMI are entitled to use BGRT payments as tax credits in deriving the corporate income tax during the Track Record Period.

The CNMI legislation provides for income tax rebates with descending graduated percentages ranging from 90% to 50% on taxable income, after taking into account the utilization of the tax credit mentioned above which sourced in the CNMI.

In addition, the corporate income tax rate of the United States changed from a progressive tax rate ranging from 15% to 39% to a fixed rate of 21% with effect from January 1, 2018. Consequently, our income tax expense in the CNMI decreased from US$2.3 million to US$0.3 million for the financial years ended December 31, 2017 and 2018, respectively, and our effective tax rate in the CNMI decreased from 17.4% to 2.7%, respectively, for the same periods.

(iii) ***Cayman Islands/BVI profits tax***

Our Group has not been subject to any taxation in the Cayman Islands/BVI.

Our income tax expenses were US$1.8 million, US$2.6 million and US$0.7 million, respectively, for the 3 financial years ended December 31, 2018. The effective tax rates for the respective periods were 12.4%, 16.5% and 5.2%. Our effective tax rate is generally kept at a low level mainly due to the abovementioned tax rebate for our operating subsidiaries in Guam. For the financial year ended December 31, 2017, the effective tax rate increased to 16.5% mainly due to the end of such tax rebate in mid 2017 and the re-measurement of deferred tax due to the change in the corporation tax rate as discussed below. Our effective tax rate was relatively lower at 5.2% for the financial year ended December 31, 2018 mainly due to the change in the corporation tax rate of United States from adopting a progressive tax rate ranging from 15% to 39%, to a fixed tax rate of 21% that was substantively enacted on December 22, 2017. Consequently, the weighted average applicable domestic tax rates decreased from 34.7% and 34.9% for the 2 financial years ended December 31, 2017 to 21.8% for the financial year ended December 31, 2018 and hence constituted the decrease in effective tax rate.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and did not have any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

The financial year ended December 31, 2018 compared to the financial year ended December 31, 2017

Revenue

Our revenue increased by US$10.8 million or 12.1% from US$89.4 million for the year ended December 31, 2017 to US$100.2 million for the year ended December 31, 2018, mainly as a result of the increase in revenue from our Luxury Travel Retail Sector by US$11.5 million.

Revenue from our Hotels & Resorts Sector

Our revenue from Hotels & Resorts Sector decreased slightly by US$0.5 million or 0.7% from US$67.1 million for the financial year ended December 31, 2017 to US$66.6 million for the financial year ended December 31, 2018, mainly due to a slight reduction in the occupancy rates of our hotels and resorts in Saipan from 97.1% for the financial year ended December 31, 2017 to 91.2% for the financial year ended December 31, 2018. Such slight reduction was mainly attributable to the impacts of Super Typhoon Yutu in November 2018. The decrease in room revenue was partially offset by the increase in occupancy rates of our *Fiesta Resort Guam* primarily due to the increase in bookings through OTAs.

Revenue from our Luxury Travel Retail Sector

Our revenue from our Luxury Travel Retail Sector increased by US$11.5 million or 65.7% from US$17.5 million for the financial year ended December 31, 2017 to US$29.0 million for the financial year ended December 31, 2018, mainly due to (1) increase in revenue of US$6.0 million mainly as a result of full year revenue contributed by our 3 boutiques in Saipan and 1 boutique in Guam launched in May 2017 and 1 boutique in Saipan launched in November 2017, and (2) revenue contribution of US$5.5 million from our 5 boutiques under Brand F in Hawaii since their launch in April 2018.

Revenue from our Destination Services Sector

Our revenue from Destination Services Sector remained relatively stable at US$4.8 million and US$4.6 million for the financial years ended December 31, 2017 and 2018, respectively.

Cost of inventories sold

Cost of inventories sold increased by US$5.7 million or 56.4% from US$10.1 million for the financial year ended December 31, 2017 to US$15.8 million for the financial year ended December 31, 2018, which was in line with the increase in revenue from our Luxury Travel Retail Sector. Our cost ratio of inventories sold, being the cost of inventories divided by the total retailing revenue from our Luxury Travel Retail Sector, remained relatively stable at 52.9% and 51.9% for the financial years ended December 31, 2017 and 2018, respectively.

Food and beverage costs

Food and beverage costs remained relatively stable at US$6.6 million and US$6.4 million for the financial years ended December 31, 2017 and 2018, respectively. Our cost ratio of food and beverage, being the cost of food and beverage divided by the total revenue from the food and beverages under our Hotels & Resorts Sector, remained relatively stable at 35.1% and 33.7% for the financial years ended December 31, 2017 and 2018, respectively.

Employee benefit expenses

Employee benefit expenses increased by US$2.9 million or 13.7% from US$21.2 million for the financial year ended December 31, 2017 to US$24.1 million for the financial year ended December 31, 2018, mainly due to the increase in headcount in relation to the launch of our 5 boutiques under Brand F in Hawaii under our Luxury Travel Retail Sector.

Utilities, repairs and maintenance

Utilities, repairs and maintenance remained stable at US$6.9 million for both the financial years ended December 31, 2017 and 2018.

Operating lease expenses

Operating lease expenses increased by US$2.3 million or 74.2% from US$3.1 million for the financial year ended December 31, 2017 to US$5.4 million for the financial year ended December 31, 2018, mainly due to increase in the number of boutiques discussed above.

Other (losses)/gains, net

We recorded other net losses of US$70,000 and other net gains of US$8,000 for the financial years ended December 31, 2017 and 2018, respectively.

Operating and other expenses

Operating and other expenses increased by US$3.6 million or 14.1% from US$25.6 million for the financial year ended December 31, 2017 to US$29.2 million in for the financial year ended December 31, 2018, mainly due to (1) one-off, non-recurring Listing expenses of US$2.5 million incurred for the financial year ended December 31, 2018 compared to nil for the financial year ended December 31, 2017, (2) increase in depreciation and amortization of US$0.6 million as a result of increase in our number of boutiques discussed above, and (3) increase in other taxes and licenses of US$0.5 million mainly as a result of increase in business gross receipt tax.

Income tax expense

Income tax expenses decreased by US$1.9 million or 73.1% from US$2.6 million for the financial year ended December 31, 2017 to US$0.7 million for the financial year ended December 31, 2018. The effective tax rate decreased from 16.5% for the financial year ended December 31, 2017 to 5.2% for the financial year ended December 31, 2018, mainly due to the decrease in the corporation tax rate in the United States from adopting a progressive tax rate ranging from 15% to 39%, to a fixed tax rate of 21% that was substantively enacted on December 22, 2017. Consequently, the weighted average applicable domestic tax rates decreased from 34.9% for financial year ended December 31, 2017 to 21.8% for the financial year ended December 31, 2018.

Profit for the year

As a result of the foregoing changes from the financial year ended December 31, 2017 to the financial year ended December 31, 2018, profit for the year decreased from US$13.1 million for the financial year ended December 31, 2017 to US$11.8 million for the financial year ended December 31, 2018, respectively. Our net profit margin decreased from 14.7% for the financial year ended December 31, 2017 to 11.8% for the financial year ended December 31, 2018, mainly due to (1) one-off, non-recurring Listing expenses of US$2.5 million charged to our consolidated statement of comprehensive income during the financial year ended December 31, 2018, and (2) increase in contribution of Luxury Travel Retail sector during the financial year ended December 31, 2018 which has a lower profit margin.

The financial year ended December 31, 2017 compared to the financial year ended December 31, 2016

Revenue

Our revenue increased by US$8.2 million or 10.1% from US$81.2 million for the financial year ended December 31, 2016 to US$89.4 million for the financial year ended December 31, 2017 as a result of the increase in revenue from (i) Hotels & Resorts Sector by US$4.0 million; (ii) Luxury Travel Retail Sector by US$3.6 million; and (iii) Destination Services Sector by US$0.5 million.

Revenue from Hotels & Resorts Sector

Our revenue from Hotels & Resorts Sector increased by US$4.0 million or 6.3% from US$63.1 million for the financial year ended December 31, 2016 to US$67.1 million for the financial year ended December 31, 2017, mainly due to (i) increase in number of rooms nights sold in our hotels in Saipan by 9,273 room nights or 4.0% primarily as a result of increase in number of tourists visiting Saipan for the financial year ended December 31, 2017, partially offset by the decrease in number of rooms nights sold in our hotel in Guam by 4,192 room nights or 4.2% attributable to decrease in Japanese tourists to Guam mainly as a result of cancellation of flights from Japan to Guam in September 2017; and (ii) increase in overall average room rates by 5.8% across our hotels in Saipan and Guam attributable to price adjustment consistent with our pricing strategy.

Revenue from Luxury Travel Retail Sector

Our revenue from Luxury Travel Retail Sector increased by US$3.6 million or 25.9% from US$13.9 million for the financial year ended December 31, 2016 to US$17.5 million for the financial year ended December 31, 2017, mainly due to (i) revenue of US$5.7 million contributed by the launch of 3 boutiques in Saipan and 1 boutique in Guam with their commencement of operation in May 2017; and (ii) revenue of US$0.2 million contributed by the launch of 1 boutique in Saipan with its commencement of operation in November 2017. The increase in revenue was partially offset by the decrease in revenue of US$1.8 million from 1 boutique in Guam primarily attributable to the market demand.

Revenue from Destination Services Sector

Our revenue from Destination Services Sector increased by US$0.5 million or 11.6% from US$4.3 million for the financial year ended December 31, 2016 to US$4.8 million for the financial year ended December 31, 2017, primarily attributable to the increase in number of tourists visiting Saipan, which is in line with the Industry Report.

Cost of inventories sold

Cost of inventories sold increased by US$2.3 million or 29.5% from US$7.8 million for the financial year ended December 31, 2016 to US$10.1 million for the financial year ended December 31, 2017, mainly attributable to the launch of our boutiques in Saipan and Guam for the financial year ended December 31, 2017 as mentioned above. Our cost ratio of inventories sold, being the cost of inventories divided by the total retailing revenue from our Luxury Travel Retail Sector and Destination Services Sector, remained relatively stable at 51.1% and 52.9% for the financial year ended December 31, 2016 and 2017, respectively.

Food and beverage costs

Food and beverage costs remained relatively stable at US$6.3 million and US$6.6 million, respectively, for the financial year ended December 31, 2016 and 2017, respectively. Our cost ratio of food and beverage, being the cost of food and beverage divided by the total revenue derived from the food and beverage under our Hotels & Resorts Sector, remained relatively stable at 34.1% and 35.1% for the financial year ended December 31, 2016 and 2017, respectively.

Employee benefit expenses

Employee benefit expenses increased by US$2.9 million or 15.8% from US$18.3 million for the financial year ended December 31, 2016 to US$21.2 million for the financial year ended December 31, 2017, mainly due to increase in both headcount and their salary level in Saipan and Guam with reference to the increase in minimum wage in Saipan and Guam.

Utilities, repairs and maintenance

Utilities, repairs and maintenance increased by US$0.9 million or 15.0% from US$6.0 million for the financial year ended December 31, 2016 to US$6.9 million for the financial year ended December 31, 2017, mainly due to increase in utility expenses incurred for our hotel operations.

Operating lease expenses

Operating lease expenses increased by US$0.3 million or 10.7% from US$2.8 million for the financial year ended December 31, 2016 to US$3.1 million for the financial year ended December 31, 2017, mainly due to increase in rental expenses incurred for the launch of boutiques mentioned above.

Other (losses)/gains, net

We recorded net losses of US$40,000 and US$70,000, respectively, for the financial year ended December 31, 2016 and 2017.

Operating and other expenses

Operating and other expenses remained relatively stable at US$25.7 million and US$25.6 million, respectively, for the financial year ended December 31, 2016 and 2017.

Finance costs, net

Our net finance costs decreased from US$62,000 for the financial year ended December 31, 2016 to nil for the financial year ended December 31, 2017, as all our finance cost was offset by the finance income arising from the loan to our intermediate holding company for the financial year ended December 31, 2017.

Income tax expense

Income tax expenses increased by US$0.8 million or 44.4% from US$1.8 million for the financial year ended December 31, 2016 to US$2.6 million for the financial year ended December 31, 2017, mainly due to increase in our assessable profit. The effective tax rate increased from 12.4% for the financial year ended December 31, 2016 to 16.5% for the financial year ended December 31, 2017, mainly due to decrease in income tax rebates in Guam since the end of such rebates in May 2017 and the re-measurement of deferred tax due to the change in the corporation tax rate as discussed above.

Profit for the year

As a result of the foregoing changes from the financial year ended December 31, 2016 to the financial year ended December 31, 2017, profit for the year increased by US$0.6 million or 4.8% from US$12.5 million for the financial year ended December 31, 2016 to US$13.1 million for the financial year ended December 31, 2017. Our net profit margin remained relatively stable at 15.3% for the financial year ended December 31, 2016 and 14.7% for the financial year ended December 31, 2017.

SUMMARY OF ASSETS AND LIABILITIES

The following table sets out our consolidated statements of financial position as of the dates indicated:

	As of December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment	39,833	40,701	38,202
Investment properties	2,853	2,735	2,622
Intangible assets	120	557	422
Deferred income tax assets	2,493	1,758	1,748
Deposits and prepayments	1,162	706	1,032
	46,461	46,457	44,026
Current assets			
Inventories	3,369	6,218	8,944
Trade receivables	4,795	3,978	4,138
Deposits, prepayments and other receivables	2,470	1,538	2,934
Amount due from the intermediate holding company	100	2,642	453
Amounts due from related parties	2,180	3,488	7,633
Income tax recoverable	2,029	2,588	2,967
Cash and cash equivalents	4,897	6,873	4,792
	19,840	27,325	31,861
Total assets	66,301	73,782	75,887
EQUITY			
Equity attributable to owners of the Company			
Share capital	—	—	—
Merger reserve	27,006	27,006	27,006
Capital reserve	2,900	4,468	4,809
Retained earnings	23,625	17,607	21,701
	53,531	49,081	53,516
Non-controlling interests	1,384	1,534	1,609
Total equity	54,915	50,615	55,125

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	1,103	879	956
Current liabilities			
Trade and other payables	7,652	8,543	8,667
Contract liabilities	209	421	453
Amounts due to related parties	2,185	8,268	10,686
Income tax payable	237	56	—
Borrowings	—	5,000	—
	10,283	22,288	19,806
Total liabilities	11,386	23,167	20,762
Total equity and liabilities	66,301	73,782	75,887

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of buildings in Saipan and Guam, leasehold improvements, machinery and equipment, furniture and fixtures and office equipment, motor vehicles and construction in progress for our hotels and resorts. The net book value of our property, plant and equipment amounted to US$39.8 million, US$40.7 million and US$38.2 million as of December 31, 2016, 2017 and 2018, respectively, representing 60.1%, 55.2% and 50.3% of our total assets as of the respective dates.

The balance of property, plant and equipment increased to US$40.7 million as of December 31, 2017 from US$39.8 million mainly due to additions of US$6.5 million primarily attributable to the additions of leasehold improvements of US$3.5 million for the launch of boutiques during the financial year ended December 31, 2016 which was partially offset by the depreciation charged of US$5.3 million. The balance remained relatively stable at US$38.2 million as of December 31, 2018.

Investment properties

Our investment properties represent certain services and facilities in our hotels and resorts that are operated by third-party on concessions in return for a rental income. Our investment properties amounted to US$2.9 million, US$2.7 million and US$2.6 million as of December 31, 2016, 2017 and 2018, respectively. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to the initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimated useful lives of 20 to 48 years.

Our investment properties has been valued by Property Valuer as of January 31, 2019. The valuation, which conforms to International Valuation Standards, was arrived at using the income method approach via reference to the historical operational performance of these properties and prevailing market conditions. See "Appendix III — Property Valuation" for details.

Intangible assets

As of December 31, 2016, 2017 and 2018, the net book value of our intangible assets, being our computer software, amounted to US$120,000, US$557,000 and US$422,000, respectively. The capitalized computer software cost is amortized on a straight-line basis over its estimated useful life of 5 years. The estimated useful life and amortization method are reviewed regularly at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Our inventories primarily consist of (i) merchandises sold under our Luxury Travel Retail Sector; and (ii) souvenirs and amenities sold in the 3 iShops under our Destination Services Sector.

With the launch of 4 boutiques in Saipan and 1 boutique in Guam for the financial year ended December 31, 2017, our inventories balance increased to US$6.2 million as of December 31, 2017 from US$3.4 million as of December 31, 2016. The balance then increased to US$8.9 million as of December 31, 2018, mainly due to the launch of 5 boutiques under Brand F in Hawaii.

We periodically review our inventory levels for slow-moving inventory, obsolescence or decline in market value. Provision is made when the net realizable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, immaterial amount of provision of obsolete inventory of US$53,000, US$24,000 and US$29,000 were made.

As of February 28, 2019, US$1.4 million or 15.2% of our inventories outstanding as of December 31, 2018 were sold.

The table below sets forth a summary of average inventories turnover days for the years indicated which were generally stable and healthy taken into consideration the luxury nature of our travel retail business and our merchandising practice where we procure generally twice a year to stock up inventory for an entire season:

	For the financial year ended December 31		
	2016	**2017**	**2018**
Average inventories turnover days *(Note)*	142.7	172.5	174.7

Note: Average inventories turnover days is calculated using the average balances of inventories divided by cost of inventories for the relevant period and multiplied by number of days in the relevant period. Average balance of inventories is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Trade receivables

Our trade receivables primarily consist of receivables from tour operators and TTAs under our Hotels & Resorts Sector. The accounts receivables from related parties primarily represents the amounts due from QZ Tours, a deemed connected person of our company. The following table sets forth our trade receivables and its respective turnover days as of the dates indicated:

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Trade receivables from third parties	4,018	3,557	3,196
Less: provision for impairment	(202)	(266)	(186)
Net trade receivables from third parties	3,816	3,291	3,010
Trade receivables from related parties	979	687	1,128
	4,795	3,978	4,138

	For the financial year ended December 31		
	2016	2017	2018
Average trade receivables turnover days (Note)	20.7	17.9	14.8

Note: Average trade receivables turnover days is calculated using the average balances of trade receivables divided by revenue for the relevant period and multiplied by number of days in the relevant period. Average balance of trade receivables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

As of December 31, 2016, 2017 and 2018, our trade receivables from third parties were US$4.0 million, US$3.6 million and US$3.2 million, respectively, whereas our trade receivables from related companies amounted to US$1.0 million, US$0.7 million and US$1.1 million, respectively. Our trade receivables from related companies are unsecured and interest-free. Our total trade receivables increased as of each year end which was in line with increase in our revenue.

The majority of our sales are made with credit terms of 30 days from the invoice date. The following table sets forth the aging analysis of trade receivables from independent third parties, respectively, based on invoice date, as of the dates indicated:

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	3,250	3,166	2,471
31 to 60 days	458	248	451
61 to 90 days	176	33	90
Over 90 days	134	110	184
	4,018	**3,557**	**3,196**

We apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As of December 31, 2016, 2017 and 2018, a provision of US$202,000, US$266,000 and US$186,000 was made against the gross amounts of trade receivables from third parties. We did not experience any material payment defaults from our customers during the Track Record Period.

As of February 28, 2019, US$3.6 million or 83.9% of our gross trade receivables outstanding as of December 31, 2018 were settled.

Deposits, prepayments and other receivables

The following table sets forth the breakdown of our deposits, prepayments and other receivables as of the dates indicated:

	As of December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Deposits	459	473	650
Prepayment of listing expenses	—	—	9
Deferred listing expenses	—	—	219
Prepayments	3,168	1,749	3,076
Other receivables	5	22	12
	3,632	2,244	3,966
Less: non-current portion			
Rental and utility deposits	(451)	(466)	(638)
Prepaid rent	(211)	(190)	(296)
Prepayments for property, plant and equipment and intangible assets	(500)	(50)	(98)
	(1,162)	(706)	(1,032)
	2,470	1,538	2,934

Prepayments

Our prepayments mainly comprised prepayment for purchase of property, plant and equipment, prepayment to brand owners for purchase of merchandises for our Luxury Travel Retail Sector and prepaid rent. Our prepayments to brand owners prior to merchandise delivery were made pursuant to and in accordance with our franchise and distribution agreements and is generally in line with the industry norm of the global luxury retail market, according to our Industry Consultant. The balances were US$3.2 million, US$1.7 million and US$3.1 million as of December 31, 2016, 2017 and 2018, respectively. Our prepayments increased to US$3.1 million as of December 31, 2018 mainly as a result of (1) prepayments made for the replacement and fixing of hotel facilities after the Super Typhoon Yutu, (2) increase in prepayment to the brand owners for effecting shipment and (3) increase in prepaid rent as of December 31, 2018 for our boutiques in Hawaii.

Deposits and other receivables

Our deposits and other receivables mainly consist of deposits for rental and utilities. Our deposits and other receivables remained relatively stable throughout the Track Record Period.

Amounts due from/to the intermediate holding company and related parties

The following table sets forth a breakdown of our amounts due from/to the intermediate holding company and related parties as of the dates indicated:

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Amount due from the intermediate holding company	100	2,642	453
Amount due from related parties	2,180	3,488	7,633
Amount due to related parties	(2,185)	(8,268)	(10,686)

As of December 31, 2016, 2017 and 2018, non-trade receivables/non-trade payables balances from/to intermediate holding company and related parties were unsecured, interest-free and repayable on demand, except for an amount due from the intermediate holding company of US$5.0 million as of December 31, 2017 is interest-bearing of 2.75%, and approximate their fair values. Such interest-bearing amounts has been fully settled in 2018.

Our amount due from intermediate holding company decreased from US$2.6 million as of December 31, 2017 to US$0.5 million as of December 31, 2018 mainly due to fund transfer between our Group and the intermediate holding company, which centralizes the treasury function for certain entities of our Group operating in Saipan and Guam. During the year, dividend was paid to the intermediate holding company and were settled through current account. Our amount due from related parties increased from US$3.5 million as of December 31, 2017 to US$7.6 million as of December 31, 2018 mainly due to expense paid by our Group on behalf of the related parties. Our amount due to related parties increased from US$8.3 million as of December 31, 2017 to US$10.7 million as of December 31, 2018 mainly due to payments of listing expenses by related parties on behalf of our Group and advances from a related party as unsettled shared services expenses and start-up capital for our Luxury Travel Retail operations in Saipan.

All the balances will be settled before Listing. See note 31 of the Accountant's Report in Appendix I to this Prospectus for details.

Trade and other payables

The following table sets forth a breakdown of our trade payables as of the dates indicated:

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Trade payables			
- to third parties	2,564	2,949	2,930
- to related parties	68	68	88
Total trade payables	***2,632***	***3,017***	***3,018***
Accruals and other payables			
- accrued staff salaries	391	528	582
- other taxes payable	1,172	1,251	1,057
- accruals for listing expenses	—	—	432
- payables in relation to purchase of property, plant and equipment	334	596	30
- provision for repair and maintenance	609	851	660
- rental deposits received from customers	63	144	276
- accrued rent	202	163	215
- other accruals and payables	2,249	1,993	2,397
Total other payables and accrued expenses	***5,020***	***5,526***	***5,649***
	7,652	**8,543**	**8,667**

Trade payables

Our trade payables are derived primarily from the payables relating to merchandises under our Luxury Travel Retail Sector and purchase costs of hotel supplies, food and beverages as well as other costs to be paid to other suppliers, including independent third parties and related parties.

As of December 31, 2016, 2017 and 2018, our trade payables to third parties amounted to US$2.6 million, US$2.9 million and US$2.9 million, respectively, whilst our trade payables to related parties amounted to US$68,000, US$68,000 and US$88,000, respectively. Our trade payables to related parties are unsecured, interest-free and with credit term of 30 days.

Our trade payable balance increased from US$2.6 million as of December 31, 2016 to US$3.0 million as of December 31, 2017 mainly due to increase in purchase of merchandises as result of increase in number of boutiques throughout the Track Record Period. The balance then remained relatively stable at US$3.0 million as of December 31, 2018.

Our third-party suppliers generally offer us credit periods from 0 to 90 days. The following table sets forth the aging analysis of trade payables to third parties, based on invoice date as of the dates indicated:

	As of December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	2,122	2,224	2,410
31 to 60 days	335	605	394
61 to 90 days	29	56	56
Over 90 days	78	64	70
Total	**2,564**	**2,949**	**2,930**

The table below sets forth a summary of average trade payables turnover days for the years indicated:

	For the financial year ended December 31		
	2016	2017	2018
Average trade payables turnover days (Note)	39.6	46.0	39.0

Note: Average trade payables turnover days is calculated using the average balances of trade payables divided by cost of inventories sold, food and beverage and utilities costs for the relevant period and multiplied by number of days in the relevant period. Average balance of trade payables is calculated as the sum of the beginning and the ending balance for the relevant period divided by two.

Our average trade payables turnover days were 39.6 days, 46.0 days and 39.0 days for the Track Record Period. The fluctuation was in line with the fluctuations of trade payables and within the credit period.

As of February 28, 2019, US$2.6 million or 87.1% of our trade payables outstanding as of December 31, 2018 were settled. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no material default in settlement of our trade payables.

Other payables and accrued expenses

Our other payables and accrued expenses mainly represent (i) accrued charges for staff costs and other operating expenses; (ii) other taxes payable mainly include BGRT, and FICA tax, and (iii) hotel occupancy tax and bar tax which we withhold from the consumers on the Government's behalf, such sum will be remitted to the Government; (iv) payable in relation to purchase of property, plant and equipment for the launch of boutiques; (v) provision for repair and maintenance and (vi) others such as accrued insurance and commission expenses.

Our other payables and accrued expenses were relatively stable at US$5.0 million as of December 31, 2016, US$5.5 million as of December 31, 2017 and US$5.6 million as of December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of costs and expenses in relation to our ordinary course of business, operating and other expense and other capital expenditure such as purchase of property, plant and equipment and intangibles. Our use of cash has been funded principally through cash generated from our operations, bank borrowings and capital injection. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed "Future Plans and Use of Proceeds" in this document.

The following table summarizes, for the years indicated, our consolidated statements of cash flows:

	For the financial year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net cash generated from operating activities	8,073	8,518	3,682
Net cash used in investing activities	(5,643)	(11,497)	(533)
Net cash (used in)/generated from financing activities	(2,462)	4,955	(5,230)
Net (decrease)/ increase in cash and cash equivalents	**(32)**	**1,976**	**(2,081)**
Cash and cash equivalents at beginning of year	**4,929**	**4,897**	**6,873**
Cash and cash equivalents at end of year	**4,897**	**6,873**	**4,792**

During the Track Record Period, our cash flow was mainly affected by the mix of cash generated from our operations, cash used in acquisition or property, plant and equipment and leasehold improvements of our hotels, resorts and travel retail boutiques and net borrowing or repayment of borrowings during the same financial year.

Our net decrease in cash and cash equivalents of US$2.1 million for the financial year ended December 31, 2018 was mainly due to (1) the repayment of bank loan in the amount of US$5.0 million on behalf of our intermediate holding company, (2) the cash outflow for taking over our Hawaii Luxury Travel Retail operation of US$1.6 million, and (3) the addition of property, plant and equipment amounting US$4.0 million. Such decrease was partially offset by the cash generated from our operation.

Our net increase in cash and cash equivalents of US$2.0 million for the financial year ended December 31, 2017 was mainly due to the cash generated mainly from our operations from our 3 sectors and net borrowings. Such net increase was partially offset by an aggregate amount of US$6.4 million of addition of property, plant and equipment such as leasehold improvements for our hotels and resorts and travel retail boutiques, motor vehicles as well as machinery.

Our net decrease in cash and cash equivalents of US$32,000 for the financial year ended December 31, 2016 was mainly due to an aggregate amount of US$5.7 million of addition of property, plant and equipment and intangible assets, as well as net repayment of borrowings in the sum of US$2.5 million. Such net decrease was partially offset by the cash generated mainly from our operations from our 3 sectors.

Operating activities

During the Track Record Period, our operating cash inflows were primarily derived from receipt of proceeds from our customers and our operating cash outflows mainly include payment for various expenses such as costs of inventories sold, staff costs, cost of food and beverages and other operating costs.

For the financial year ended December 31, 2018, we had net cash generated from operating activities of US$3.7 million, mainly as a result of operating cash flow before changes in working capital of US$18.5 million and negative change in working capital of US$14.2 million, net of income taxes paid of US$0.7 million. The negative change in working capital primarily reflected (i) increase in amounts due from the intermediate holding company of US$10.4 million mainly due to fund transfer by our Group to our intermediate holding company, which centralizes the treasury function for certain entities of our Group operating in Saipan and Guam; and (ii) increase in amounts due from related parties of US$4.1 million mainly due to expense paid by our Group on behalf of the related parties.

For the financial year ended December 31, 2017, we had net cash generated from operating activities of US$8.5 million, mainly as a result of operating cash flow before changes in working capital of US$21.6 million and negative change in working capital of US$11.8 million, net of income taxes paid of US$1.3 million. The negative change in working capital primarily reflected (i) increase in amounts due from the intermediate holding company of US$16.5 million due to the fund transfer by our Group to the intermediate holding company, which centralizes the treasury function for certain entities of our Group operating in Saipan and Guam; (ii) increase in inventories of US$2.9 million as a result of increase in number of boutiques; and (iii) increase in amounts due from related parties of US$1.3 million. The negative change in working capital was partially offset by increase in amounts due to related parties of US$6.1 million due to the advances from a related party to finance the commencement of our Luxury Travel Retail operation in Saipan.

Except as disclosed in "Continuing Connected Transactions", all related party balances and administrative arrangements between our related companies or intermediate holding companies and us will be settled or terminated before the Listing.

For the financial year ended December 31, 2016, we had net cash generated from operating activities of US$8.1 million, mainly as a result of operating cash flow before changes in working capital of US$20.1 million and negative change in working capital of US$10.9 million, net of income taxes paid of US$1.2 million. The negative change in working capital primarily reflected (i) decrease in amounts due to the intermediate holding company of US$9.7 million due to the settlement of amounts due to intermediate holding company; (ii) increase in amounts due from related parties of US$1.5 million; and (iii) increase in deposits, prepayments and other receivables of US$1.2 million mainly due to increase in prepayments for property, plant and equipment primarily for the launch of new boutiques. The negative change in working capital was partially offset by increase in trade and other payables of US$1.8 million mainly due to increase in purchase of merchandises for our boutiques to cater our business needs.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposals of property, plant and equipment. Our cash outflow used in investing activities was principally for purchase of property, plant and equipment and intangible assets.

For the financial year ended December 31, 2018, we had net cash used in investing activities of US$0.5 million primarily attributable to purchase of property, plant and equipment of US$4.0 million and taking over our Hawaii Luxury Travel Retail operation of US$1.6 million partially offset by repayment of advances by the intermediate holding company of US$5.0 million (which was subsequently repaid to the bank).

For the financial year ended December 31, 2017, we had net cash used in investing activities of US$11.5 million primarily attributable to (i) purchase of property, plant and equipment and intangible assets in aggregate amount of US$6.8 million; and (ii) advances to our intermediate holding company of US$5.0 million, which was borrowed from the bank on behalf of such intermediate holding company.

For the financial year ended December 31, 2016, we had net cash used in investing activities of US$5.6 million primarily attributable to purchase of property, plant and equipment and intangible assets in aggregate amount of US$5.7 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally proceeds from borrowings and capital injection from a shareholder. Our cash outflow used in financing activities was principally for dividend payment and repayment of borrowings.

For the financial year ended December 31, 2018, we had net cash used in financing activities of US$5.2 million primarily attributable to repayment of borrowings of US$5.0 million.

For the financial year ended December 31, 2017, we had net cash generated from financing activities of US$5.0 million primarily attributable to proceeds from borrowings of US$10.0 million on behalf of our intermediate holding company. The cash inflow was partially offset by the repayment of borrowings of US$5.0 million.

For the financial year ended December 31, 2016, we had net cash used in financing activities of US$2.5 million primarily attributable to repayment of borrowings of US$2.5 million.

Net current assets

The table below sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31			As of February 28
	2016	**2017**	**2018**	**2019**
	US$'000	*US$'000*	*US$'000*	*US$'000* (*unaudited*)
Current assets				
Inventories	3,369	6,218	8,944	9,238
Trade receivables	4,795	3,978	4,138	4,279
Deposits, prepayments and other receivables	2,470	1,538	2,934	2,558
Amount due from the intermediate holding company	100	2,642	453	2,954
Amounts due from related parties	2,180	3,488	7,633	6,940
Income tax recoverable	2,029	2,588	2,967	2,817
Cash and cash equivalents	4,897	6,873	4,792	4,496
	19,840	27,325	31,861	33,282

	As of December 31			As of February 28
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000* *(unaudited)*
Current liabilities				
Trade and other payables	7,652	8,543	8,667	6,912
Contract liabilities	209	421	453	317
Amounts due to related parties	2,185	8,268	10,686	10,751
Income tax payable	237	56	—	42
Borrowings	—	5,000	—	—
Lease liabilities	—	—	—	2,823
	10,283	22,288	19,806	20,845
Net current assets	9,557	5,037	12,055	12,437

Our net current assets decreased from US$9.6 million as of December 31, 2016 to US$5.0 million as of December 31, 2017. The decrease was primarily due to (i) increase in amounts due to related parties of US$6.1 million; (ii) increase in borrowings of US$5.0 million; (iii) increase in trade and other payable of US$0.9 million mainly due to increase in purchase of merchandises for our boutiques; and (iv) decrease in deposits, prepayments and other receivables of US$0.9 million mainly due to utilization of prepayments for property, plant and equipment during the financial year ended December 31, 2017. The decrease was partially offset by (i) increase in inventories of US$2.8 million mainly due to increase in purchase of merchandises for our boutiques to cater our business needs, (ii) increase in cash and cash equivalent of US$2.0 million, and (iii) increase in amount due from the intermediate holding company of US$2.5 million.

Our net current assets then increased to US$12.1 million as of December 31, 2018. The increase was primarily due to (i) increase in inventories of US$2.7 million as a result of the launch of our new boutiques, and (ii) repayment of borrowings of US$5.0 million.

Our net current assets remained relatively stable at US$12.4 million as of February 28, 2019.

Working Capital Sufficiency

Our Directors confirm that, taking into consideration the financial resources presently available to us, including anticipated cash flow from our operating activities, existing cash and cash equivalents and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Save as disclosed in this Prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of Proceeds".

TRANSACTIONS WITH RELATED PARTIES

Our Directors confirm that our related party transactions were conducted on arm's length basis and on normal commercial terms or such terms that were no less favorable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole.

Details of all related party transactions during the Track Record Period are set out in note 31 to the Accountant's Report. Except as disclosed in "Continuing Connected Transactions", all related party balances and administrative arrangements between our related companies or intermediate holding companies and us will be settled and/or terminated before the Listing.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment, investment properties and intangible assets in our operations. During the Track Record Period, our Group incurred capital expenditures of US$5.0 million, US$7.0 million and US$3.4 million, respectively. Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Business — Asset Rejuvenation Plan" and "Future plans and use of proceeds" for further information. For the financial year ending December 31, 2019, we expect to incur capital expenditure of US$15.0 million (including US$8.1 million for the proposed asset rejuvenation plan for *Fiesta Resort Guam*, and US$1.7 million for the launch of new travel retail boutiques in each of Saipan and Guam. See "Future Plans and Use of Proceeds" for further details.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from bank borrowings.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As lessor

As of the end of the reporting periods during the Track Record Period, we had contracted with tenants in respect of leased properties for the following future minimum lease payments to be received from tenants:

	As of December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Not later than 1 year	534	616	515
Later than 1 year and no later than 5 years	758	730	471
Total	**1,292**	**1,346**	**986**

As lessee

As of the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of boutiques, offices and warehousing units under non-cancellable operating lease arrangements, which fall due as follows:

	As of December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Not later than 1 year	1,073	2,314	2,811
Later than 1 year and no later than 5 years	3,099	5,707	7,239
Later than 5 years	20,303	20,254	19,491
Total	24,475	28,275	29,541

Capital commitments

Except for the capital expenditure of US$308,000 contracted for but not recognized as of December 31, 2018, we had no capital commitment that were not provided for in our consolidated financial statements in other years.

INDEBTEDNESS

The following table sets out our total debts as of the dates indicated:

	As of December 31			As of February 28
	2016	**2017**	**2018**	**2019**
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Bank borrowings	—	5,000	—	—
Amounts due to related companies	2,185	8,268	10,686	10,751
Lease liabilities	—	—	—	17,901
	2,185	13,268	10,686	28,652

Bank borrowings

The following table sets forth the repayment schedule of our bank borrowing as of the dates indicated:

	As of December 31			As of February 28
	2016	2017	2018	2019
	US$'000	*US$'000*	*US$'000*	*US$'000* *(Unaudited)*
Within 1 year	—	5,000	—	—

The following table sets forth the range of effective interest rate for our bank borrowing as of the dates indicated:

	As of December 31			As of February 28
	2016	2017	2018	2019
				(Unaudited)
Bank borrowings	—	2.75%	—	—

As of December 31, 2016, 2017, 2018, and February 28, 2019 the carrying amounts of our Group's bank borrowings are denominated in US$ and are subject to annual review and secured and guaranteed by:

(i) certain buildings and investment properties owned by our Group as of December 31, 2016, 2017, 2018 and February 28, 2019;

(ii) corporate guarantee provided by Tan Holdings, the intermediate holding company as of December 31, 2016, 2017, 2018 and February 28, 2019;

(iii) personal guarantee by Dr. Henry Tan, a Controlling Shareholder as of December 31, 2016, 2017, 2018 and February 28, 2019

All guarantees from Controlling Shareholder and the intermediate holding company are expected to be released upon the Listing.

All of our Group's banking facilities are subject to the fulfillment of covenants, as are commonly found in lending arrangements with financial institutions. If our Group were to breach the covenants, the drawn down facilities would become payable on demand. Our Group regularly monitors its compliance with these covenants. We confirm that we have not breached any of the material covenants during the Track Record Period.

As of February 28, 2019, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of US$11.0 million, all of which was unutilized. We are not committed to draw down the unutilized amount.

During the Track Record Period, we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. Save as aforesaid, as of the date of this document, we did not have any plan for material external debt financing.

Amounts due to intermediate holding company and related parties

For further details, see "Description of Certain Items of Consolidated Statements of Financial Position — Amounts due from/to intermediate holding company and related parties" in this section.

Lease liabilities

Our Group has adopted HKFRS 16 for accounting period beginning on or after January 1, 2019 as stated in Note 2.1 of the Accountant's Report in Appendix I to this Prospectus. As such, leases have been recognized in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position for accounting period beginning on or after January 1, 2019. As at February 28, 2019, our Group has current and non-current lease liabilities amounted to US$2.8 million and US$15.1 million respectively.

Financial guarantee

As of December 31, 2016, 2017, 2018 and February 28, 2019, we provide corporate guarantee of US$11.2 million to the intermediate holding company on the banking facilities granted to it. Such guarantee is expected to be released upon the Listing.

Contingent liabilities

As of February 28, 2019, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed above, our Group did not have any significant contingent liabilities.

As of February 28, 2019, being the latest practicable date for the purpose of the indebtedness statement, save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

PROPERTY INTEREST AND PROPERTY VALUATION

The statement below shows the reconciliation of aggregate amounts of land, buildings and investment properties in our audited consolidated financial information as of December 31, 2018 as set forth in Appendix I to this Prospectus with the valuation of these properties as of January 31, 2019 as set forth in Appendix III to this Prospectus.

	US$'000
Net carrying amount of the properties being valued by the independent Property Valuer as of December 31, 2018	
Land, buildings and investment properties as of December 31, 2018	24,747
Less: Depreciation during the period from January 1, 2019 to January 31, 2019	(101)
Net book value as of January 31, 2019	24,646
Net valuation surplus	89,654
Valuation of properties owned by our Group as of January 31, 2019 as set out in Property Valuation in Appendix III to this Prospectus	114,300

OFF-BALANCE SHEET ARRANGEMENT

As of the Latest Practicable Date, we had not entered into any material off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of each of the dates indicated:

	For the financial year ended December 31		
	2016	2017	2018
Gross profit margin (%) [(1)]	N/A	N/A	N/A
Net profit margin (%) [(2)]	15.3	14.7	11.8
Return on equity (%) [(3)]	22.7	25.9	21.3
Return on total assets (%) [(4)]	18.8	17.8	15.5

	As of December 31		
	2016	2017	2018
Current ratio (times) [(5)]	1.9	1.2	1.6
Quick ratio (times) [(6)]	1.6	0.9	1.2
Gearing ratio (%) [(7)]	—	9.9	—
Net debt to equity ratio (%) [(8)]	N/A	Net cash	N/A

Notes:

(1) Due to nature of our business, we did not have any cost of sales. Hence, calculation for gross profit or gross profit margin are not applicable to us.

(2) Net profit margin for each of the year was calculated based on profit for the year divided by revenue for the respective year. Please refer to the paragraphs headed "Review of Historical Results of Operation" for more details on our net profit margins.

(3) Return on equity was calculated based on the profit for the year divided by total equity as of the respective year and multiplied by 100%.

(4) Return on total assets was calculated based on profit for the year divided by total assets as of the respective year and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the end of the respective year.

(6) Quick ratio was calculated based on the total current assets less inventories and then divided by the total current liabilities as of the end of the respective year.

(7) Gearing ratio was calculated based on the total interest-bearing bank borrowings divided by total equity as of the end of the respective year and multiplied by 100%.

(8) Net debt to equity ratio was calculated based on net debts (being total interest-bearing bank borrowings net of cash and cash equivalents) as of the end of the respective year divided by total equity as of the end of the respective year and multiplied by 100%. Net debt includes all interest-bearing bank borrowings (if any), net of cash and cash equivalents.

Return on equity

Our return on equity increased from 22.7% for the financial year ended December 31, 2016 to 25.9% for the financial year ended December 31, 2017 primarily driven by the combined effects of increase in profit for the year and decrease in total equity as a result of dividend paid of US$19.0 million. Our return on equity then decreased to 21.3% in the financial year ended December 31, 2018 mainly due to (i) one-off, non-recurring listing expenses of US$2.5 million incurred; (ii) decrease in net profit margin as mentioned above; and (iii) increase in total equity as a result of accumulation of profits.

Return on total assets

Our return on total assets decreased slightly from 18.8% for the financial year ended December 31, 2016 to 17.8% for the financial year ended December 31, 2017 primarily due to the net addition in property, plant and equipment for the respective year which is slightly larger than the increasing rate of profit of our Group for the respective year. Our return on total assets then further decreased slightly to 15.5% in the financial year ended December 31, 2018, mainly due to (i) one-off, non-recurring listing expenses of US$2.5 million incurred; (ii) decrease in net profit margin as mentioned above; and (iii) increase in total equity as a result of accumulation of profits.

Current ratio and quick ratio

Our current ratio decreased from 1.9 as of December 31, 2016 to 1.2 as of December 31, 2017 mainly due to new borrowings obtained during the financial year ended December 31, 2017. The current ratio then increased to 1.6 as of December 31, 2018 mainly due to (1) increase in amounts due from related parties of US$4.1 million; (2) increase in inventories of US$2.7 million as a result of taking over our Hawaii Luxury Travel Retail Operation; and (3) repayment of borrowings of US$5.0 million. Our quick ratios fluctuates in the same manner as our current ratios during the Track Record Period.

Gearing ratio

Our gearing ratios were nil, 9.9% and nil as of December 31, 2016, 2017 and 2018, respectively. Our gearing ratio was 9.9% as of December 31, 2017 and decreased to nil as of December 31, 2018 due to repayment of borrowing in the financial year ended December 31, 2018.

Net debt to equity ratio

As of December 31, 2017, our cash and cash equivalents as of the end of the year exceeded our interest-bearing bank borrowings incurred by our Group. Consequently, we had net cash position as of respective year end. Net debt to equity ratio were not applicable to our Group as of December 31, 2016 and 2018 as there were no borrowings as of the respective dates.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to a variety of financial risk such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Details of the risk to which we are exposed to be set out in note 3.1 to Accountant's Report, the text of which is set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

Listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and are estimated to be around US$6.0 million. During the Track Record Period, we charged US$2.5 million to our consolidated statements of comprehensive income. We expect to further incur additional listing expenses of around US$3.5 million until the completion of the Global Offering, of which around US$1.0 million is expected to be charged as expenses, and around US$2.5 million is expected to be deducted from equity.

DIVIDENDS

For the 3 financial years ended December 31, 2018, dividends declared and paid by our Group to our then shareholders were US$7.5 million, US$19.0 million and US$7.6 million, respectively. We do not have a fixed dividend payout ratio. The declaration of dividends is subject to the discretion of our Board, and, after Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account, among other things, our general financial condition, our actual and future operations and liquidity positions, future cash requirements and availability, any restrictions on payment of dividends that may be imposed by our lenders, general market condition, our future development and any other factor that our Board deems appropriate. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. No tax is payable or withheld on (if any) dividends or other distributions declared and paid by our Company. Potential investors should however note that our CNMI and Guam incorporated entities to withhold a 30% income tax on dividends and other distributions to our Company and intermediate holding entities.

DISTRIBUTABLE RESERVES

Our Company was incorporated on October 18, 2018 and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited Pro Forma Financial Information" for our unaudited pro forma adjusted consolidated net tangible assets.

RECENT DEVELOPMENT

We currently expect that our financial results for the financial year ending December 31, 2019 compared to that of the financial year ended December 31, 2018 will be negatively impacted by a one-off, non-recurring expense of around US$3.6 million in relation to the write-off of the existing leasehold improvements at *Fiesta Resort Guam* due to the commencement of our asset rejuvenation plan. Leasehold improvements to be written off are expected to be permanent fixtures which will be demolished before our asset rejuvenation plan, such as wall finish, carpet, furniture and bathroom facilities.

There will also be a one-off, non-recurring listing expenses of around US$1.0 million expected to be charged to our consolidated statements of comprehensive income, and a one-off, non-recurring capital expenditure of around US$1.7 million in relation to a new travel retail boutique launched in Saipan in April 2019 and another to be launched in Guam in mid to late 2019 for the year ending December 31, 2019. Both of them are under a French luxury fashion brand which we have commenced business relationship with in December 2018).

Save as disclosed above, our Directors have confirmed that from December 31, 2018, being the last date on which our audited accounts were made up to, up to the date of this Prospectus, there had been no material adverse change to our financial and trading position or prospects, and that there had been no material event that would affect the information contained in "Financial Information" and the Accountant's Report in Appendix I to this Prospectus.

FUTURE PLANS AND USE OF PROCEEDS

Strategies on future business development

Our business strategies to attain future growth is set out in "Business — Strategies on Future Business Development". Our primary goal is to maintain and further our market position as one of the leading leisure tourism groups in Saipan and Guam.

Use of proceeds

Assuming (1) an Offer Price of HK$4.01 per Share, being the mid-point of the indicative Offer Price range of HK$3.54 to HK$4.48 per Share, and (2) that the Over-Allotment Option is not exercised, the net proceeds from the Global Offering are estimated to be around HK$309.9 million (equivalent to US$39.5 million) after deducting underwriting commission, incentive fees and other expenses payable by us in connection with the Listing. In line with our business strategies, we intend to use our net proceeds for the following purposes:-

— ***Asset rejuvenation plan.*** Around **75%** of our net proceeds, or HK$232.4 million (equivalent to US$29.6 million), will be used to implement our asset rejuvenation plan on *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam.* Our asset rejuvenation plan, jointly devised by Chairman Tan, our Executive Directors, senior management and an international architectural and hospitality consultancy firm, will be key to our future growth as we seek to unlock the pricing potentials of our hotels and resorts and further align their appeal with the global traveler preferences for premium holiday experiences as observed by our Industry Consultant. From an operational perspective, our asset rejuvenation plan is essential to achieve sustainable financial growth, given that (1) our hotels and resorts operated close to full capacity at 90.9% for the financial year ended December 31, 2018, (2) they are of relatively higher room age, and (3) our relatively "dated" asset quality has impaired our ability to command higher room rates, as demonstrated by our RGI which was generally below 1 during the Track Record Period with the exception of *Fiesta Resort Saipan*. Our asset rejuvenation plan is also an important bargaining point for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases given that a commitment to "new improvements and upgrades" is one of renewal conditions prescribed in PL 20-84.

Details of our asset rejuvenation plan are set out in "Business — A. Hotels & Resorts Sector — Hotels and Resorts Development — Asset Rejuvenation Plan" and can be categorized into (1) room refurbishment, which includes room extension, layout optimization, upgrade of bedding and bathroom fixtures and installation of modern entertainment facilities, (2) landscaping upgrade, such as lounge terraces, lagoon pools, rooftop bars, additional food and beverage options and other hospitality enhancement, and (3) revamped back-of-house functions such as restructuring the layout, routing and labor management of kitchens, service hallways, laundry, housekeeping and refuse areas to improve operational flexibility, workflow and staff efficiency and cater to our upgraded service standards and guest expectations as up-market hotels and resorts. Our asset rejuvenation plan is intended to overhaul our accommodation and other hospitality offering and is tailored to each of our hotels' and resorts' distinct operating conditions. The total capital expenditure of our asset rejuvenation plan is estimated to be US$56.7 million (equivalent to HK$445.0 million) and will be funded by the net proceeds of the Global Offering, our internal resources and external financing. The allocation of net proceeds among *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* will be as follows:-

— *Fiesta Resort Saipan*. Around ***30%*** of our net proceeds, or HK$92.8 million (equivalent to US$11.8 million), will be used to renovate our *Fiesta Resort Saipan*, which is estimated to commence from around early 2020.

— *Kanoa Resort*. Around ***18%*** of our net proceeds, or HK$55.6 million (equivalent to US$7.1 million), will be used to renovate our *Kanoa Resort*, which is estimated to commence from around early 2021.

— *Fiesta Resort Guam.* Around ***27%*** of our net proceeds, or HK$84.0 million (equivalent to US$10.7 million), will be used to renovate our *Fiesta Resort Guam*, which is estimated to commence from around late 2019.

Our *Fiesta Resort Saipan* and *Kanoa Resort* currently operate in the mid-market segment and close to full capacity. Particularly in Saipan, the mid-market segment is considered more competitive with around 10 peers having an ARR of US$80 per room night or above in 2017. The asset rejuvenation plan is expected to strengthen their room rate commanding power and lift them towards the up-market segment with only 2 peers having an ARR of US$170 per room night or above in 2017. This market position is in line with the characteristics of Saipan's hotels and resorts industry, where (1) regional players (such as ourselves) have a strong position against significant under-representation of international chained operators, (2) between 2018 to 2022, tourists arrivals in Saipan are expected to outpace the development of additional accommodation capacity, leading to over-demand and driving up market room rate, (3) key tourist origins such as China, South Korea and Japan, are experiencing rising tourism expenditure, and (4) there is a limited supply of up-market holiday accommodation in Saipan with only 2 peers in 2017.

The asset rejuvenation of our *Fiesta Resort Guam* is essential because the hotels and resorts industry in Guam is distinct from its Saipan counterpart with the presence of international branded market peers which consistently gives us pricing pressure and intensifies competition.

The renovation of each hotel and resort under our asset rejuvenation plan is estimated to take around 9 to 18 months to complete. We consider that our asset rejuvenation plan will reach the investment payback point when our accumulated incremental net operating income of the relevant hotel and resort exceeds its total investment. Subject always to actual construction requirements, market environment and our operating performance, we estimate that our asset rejuvenation plan on *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* will reach investment payback in around 8, 7 and 6 years, respectively, and the growth in our ARR will outweigh the increase in our total operating costs. For the purpose of this financial projection, our Executive Directors, senior management and international architectural and hospitality consultant have taken into account the basis and assumptions set out in "— Basis and Assumptions" above and assumed that upon completion (1) the ARR of our rejuvenated hotels and resorts will increase by around 23.2% to 30.4%, actualizing the room rate commanding power of our upgraded accommodation and service offering, (2) their occupancy rate will reduce slightly by around 3.3% to 7.0% due to the market nature and guest spending pattern in the up-market segment, (3) their operating cost will increase by around average 15.3% on to cater to the additional staffing and service requirements. In turn, these basis and assumptions were derived from a financial model and cost-benefit analysis on our asset rejuvenation plan based on the industry experiences of our architectural and hospitality consultant, the operational performance of comparable renovation projects they have handled for market peers in other beach holiday destinations, as well as the market statistics, operational metrics and guest spending patterns in the up-market segment of Saipan and Guam.

See "Business — A. Hotels & Resorts Sector — Hotels and Resorts Development — Asset Rejuvenation Plan" for details on the implementation of our asset rejuvenation plan.

— ***New travel retail boutiques.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used as capital expenditure and operating costs to launch new travel retail boutiques under our Luxury Travel Retail Sector. We launched 1 new travel retail boutique in Saipan in April 2019 and plan to add 1 new boutique in Guam in mid to late 2019, both under a French luxury fashion brand which we commenced business relationship with in December 2018. We expect that launching a new travel retail boutique in Saipan or Guam will require a capital expenditure of around US$850,000 and a monthly operating cost of around US$50,000 to 70,000, which includes rental expense, personnel costs, inventory costs and other miscellaneous outgoings such as marketing expense. Based on our experience during the Track Record Period, we expect to achieve breakeven with around 2 months, and investment payback around 24 months. We will also explore opportunities to expand our travel retail boutique network, brand portfolio and merchandise collection by signing up new brands, which will be funded by a combination of the net proceeds from the Global Offering and internal resources. As of the Latest Practicable Date, our Directors were aware that there was multiple retail space readily available at Tumon Sands Plaza and The Plaza, both being shopping malls where our existing boutiques are located, for our new boutique in Guam. Negotiation for the leased premise for our new boutique in Guam will commence in or around mid-2019 after evaluating the operating performance of and customer preferences for our new boutique in Saipan under the same brand.

— ***IT upgrade.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used to upgrade our information technology infrastructure, which will include (1) gradual implementation of a new reservation system, (2) new data server which will connect our new reservation system with third-party booking channels such as OTAs and booking engines, and (3) design, implementation and launch of a new online direct booking interface which facilitates instant booking confirmations and integrated with our government and corporate accounts. Our IT upgrade will be funded with the net proceeds from the Global Offering as well as our internal resources.

— ***Digital sales and marketing.*** Around **5%** of our net proceeds, or HK$15.5 million (equivalent to US$2.0 million), will be used to implement our enhanced digital sales and marketing initiatives and strengthen our online presence among leisure traveler communities particularly in China, South Korea and Japan. We will strategically work with search engines, OTAs, social media platforms and local tourism boards on sales and marketing activities such as advertisement, promotional campaigns and search engine optimization (which will place us in a strategic position on the OTAs' and search engines' search lists based on an algorithm for a marketing fee). Where suitable opportunities arise, we will also sponsor celebrities in China, South Korea and Japan to visit and promote our leisure tourism offering through various digital means and printed media. Our enhanced digital sales and marketing initiatives will be funded by a combination of the net proceeds from the Global Offering as well as our internal resources.

— ***General working capital.*** Around **10%** of our net proceeds, or HK$31.0 million (equivalent to US$3.9 million), will be used as working capital and for general corporate purpose, such as our staff costs, repair and other operating expense particularly in connection with the initial operating costs and on-going maintenance of our upgraded accommodation and service offering upon completion of our asset rejuvenation plan.

The allocation of the net proceeds and the implementation of our business plans above are estimated by our Directors based on certain assumptions set out in "— Basis and Assumptions" below. These basis and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risks set out in "Risk Factors". As such, there is no assurance that our future business plans will materialize in accordance with the expected time frame or that our objectives will be accomplished at all.

In the event that the Offer Price is set at the high-end or low-end of the indicative Offer Price range of HK$3.54 to HK$4.48, the net proceeds from the Global Offering are estimated to increase or decrease by HK$40.4 million (equivalent to US$5.2 million), respectively. If the Over-Allotment Option is exercise in full, the additional net proceeds we will receive are estimated to be HK$57.8 million, HK$51.7 million or HK$45.6 million, respectively, on the assumption that the Offer Price is determined at the high-end, mid-point or low-end of the indicative Offer Price range. To the extent the net proceeds from the Global Offering (including those we receive from any exercise of the Over-Allotment Option) are more or less than we expected, we may adjust our allocation for the above purposes on a pro-rata basis.

If we decide to re-allocate the intended use of proceeds to other business plans to a material extent, or if there is to be any material modification to the intended use of proceeds described above, we will make an appropriate announcement in compliance with the Listing Rules. If the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we will hold such funds in short-term deposit with licensed banks and authorized financial institutions for so long as it is in our best interests.

Implementation plan

We intend to apply the net proceeds from the Global Offering in accordance with the following capital expenditure and expense as well as the implementation plan:-

	Estimated capital expenditure and expenses for the year ending December 31				Total estimated capital expenditure and expenses	Estimated capital expenditure and expenses to be funded with the net proceeds from the Global Offering[1]	
	2019	2020	2021	2022			
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*%[2]*
Asset rejuvenation plan							
Fiesta Resort Saipan	—	17,817	4,454	—	22,271	11,780	52.9
Kanoa Resort	—	—	9,357	4,678	14,035	7,075	50.4
Fiesta Resort Guam	8,147	12,221	—	—	20,368	10,700	52.5
Sub-total	***8,147***	***30,038***	***13,811***	***4,678***	***56,674***	***29,555***	***52.1***
New travel retail boutiques							
New Saipan boutique	1,410[4]	140	—	—	1,550	630	40.6
New Guam boutique	1,060	490	—	—	1,550	1,370	88.4
Other future boutiques	—	1,550	1,550	—	3,100	0[3]	0[3]
Sub-total	***2,470***	***2,180***	***1,550***	**—**	***6,200***	***2,000[3]***	***32.3[3]***
IT upgrade							
New reservation system	225	710	—	—	935	935[3]	100[3]
New data server	320	—	—	—	320	320[3]	100[3]
New online booking interface	345	230	—	—	575	575[3]	100[3]
Other IT expenses	143	191	—	—	334	170[3]	50.9[3]
Sub-total	***1,033***	***1,131***	**—**	**—**	***2,164***	***2,000[3]***	***92.4[3]***
Digital sales and marketing	450	900	900	—	2,250	2,000[3]	88.9[3]
General working capital	—	—	—	—	—	3,945[3]	—[3]

Notes:

(1) The outstanding amount of estimated capital expenditure or expenses not otherwise funded with the net proceeds from the Global Offering will be funded with our internal financial resources and external financing.

(2) Percentage of total capital expenditure or expenses to be funded with net proceeds from the Global Offering is calculated assuming (1) an Offer Price of HK$4.01 per Share, being the mid-point of the indicative Offer Price range of HK$3.54 to HK$4.48 per Share, and (2) that the Over-Allotment Option is not exercised.

(3) Subject to future operating conditions and market environment, we may incur additional expenses for these purposes in the future, such as launching additional travel retail boutiques, other IT upgrade, other sales and marketing initiatives and general working capital. The estimated capital expenditure and expenses above represent our estimated funding requirements as of the Latest Practicable Date only.

(4) The capital expenditure and expenses incurred to-date for our new Saipan boutique launched in April 2019 was settled with our working capital designated for our day-to-day operations. The total capital expenditure is expected to be around US$850,000. Upon receipt of the net proceeds from the Global Offering, we will re-designate the same amount of the allocated net proceeds to replenish working capital and settle the remaining capital expenditure (if any) for our new Saipan boutique.

REASONS FOR THE LISTING

The Listing and the Global Offering will be a key milestone of our Group, which will give us the following advantages to our operations and future development:-

1. **Unlock the potentials of our Hotels & Resorts Sector against favorable industry backdrops in Saipan and Guam with our asset rejuvenation plan**

Our Hotels & Resorts Sector is a direct customer-facing business where the quality of our accommodation and service offering is key to our operating performance and future financial growth. According to our Industry Consultant, asset quality, including but not limited to room age, contemporary decoration, extent of hospitality offering, maintenance standard and service level, is the by far the primary factor when leisure travelers select their holiday accommodation, particularly more so in small tropical getaways such as Saipan and Guam where tourism facilities and attractions are fairly clustered within walking distance and locations and other ancillary factors play a less important role. We intend to unlock the pricing potentials of *Fiesta Resort Saipan*, *Kanoa Resort* and *Fiesta Resort Guam* and further align their appeal with the global traveler preferences for premium holiday experiences with a US$56.7 million asset rejuvenation plan jointly devised by Chairman Tan, our Executive Directors, senior management and an international architectural and hospitality consultancy firm. We expect that our asset rejuvenation plan will lift us from the more competitive mid-market segment (with around 10 peers in Saipan in 2017) towards the more attractive up-market segment (2 peers). Subject always to market conditions, we currently estimate that our rejuvenated hotels and resorts will be able to command an ARR of around US$180, which is within the average price range of the up-market segment in Saipan and Guam of US$170 per night or above. Based on the detailed work plans of our asset rejuvenation plan and according to the extensive market knowledge and industry experiences of our Executive Directors, senior management and international architectural and hospitality consultant, our upgraded accommodation and service offering is commensurate with, if not superior to, the current up-market peers in Saipan and Guam. In coming up with our asset rejuvenation plan, our international architectural and hospitality consultant has also conducted guest reviews, site visits on other market peers and customer focus groups.

Our asset rejuvenation plan coincides with the market conditions and competitive landscape in Saipan and Guam. The hotels and resorts industry in Saipan is characterized with regional players (such as ourselves) having a strong position against significant under-representation of international chained operators. Between 2018 and 2022, tourist arrivals in Saipan are projected to grow on a CAGR basis at 5.1%, which is expected to outpace the development of additional accommodation capacity on the island. Coupled with rising tourism expenditure in key tourist origin markets like China, South Korea and Japan, increasing flight connections (with an expected 5.6% growth in available airline seats on a CAGR basis) as well as global tourist spending pattern, the hotels and resorts industry in Saipan is set to experience an over-demand and a growth in market rates. We believe that our asset rejuvenation plan will position us well against these favorable industry backdrops. In Guam, our asset rejuvenation plan will also strengthen our competitive edge against the presence of a number of international branded market peers which constantly gives us pricing pressure and intensifies competition. We expect that the continuous under-supply of leisure tourism accommodation in Saipan and the global traveler preferences for premium holiday experiences will give us sufficient demand for our upgraded accommodation and service offering.

From an operational perspective, the need for our asset rejuvenation plan is essential: (1) We operated our hotels and resorts close to full capacity with an occupancy rate of 90.9% for the financial year ended December 31, 2018, which leaves us with little room to grow and limited operating flexibility to carry out the necessary contingent repair and maintenance works, provide "soft" service elements such as early check-in, late check-out and complimentary upgrades and accept last-minute bookings. (2) As of the Latest Practicable Date, 75.3% of our rooms were of 5 years of age or above and 68.0% of our rooms were 10 years old or above. The historical room renovation works conducted by us were of limited scale and were intended not to improve, but maintain our mid-market position within Saipan's and Guam's hotels and resorts industry. These renovation works have had limited effects in overhauling our overall guest experience. Based on our guest feedbacks, including those available in public online traveler communities such as TripAdvisor, a sizeable number of our negative comments relate to the "dated" conditions of our room and hospitality offering. Our asset quality has thus impaired our room rate commanding power. With the exception of our *Fiesta Resort Saipan*, we recorded a RGI below 1 during the Track Record Period, which means that our RevPAR was lower than the average of our main peers. To achieve financial growth, we must be able to command higher room rates with upgraded accommodation and service offering. Our asset rejuvenation plan is also an important bargaining point for us to renew our *Fiesta Resort Saipan* and *Kanoa Resort* land leases given that commitment to "new improvements and upgrades" is one of the renewal conditions prescribed in PL 20-84.

The future growth of *Fiesta Resort Saipan* and *Kanoa Resort* is contingent upon our asset rejuvenation plan, which we will not commence until after the successful renewal of the underlying land leases. If we are unable to secure the renewal of our land lease, or that the renewal conditions are not commercially viable to us, we run the risks of losing a key source of revenue. If we are unable to secure lease renewal prior to the expected commencement dates of our asset rejuvenation plan on *Fiesta Resort Saipan* and *Kanoa Resort*, we might have to delay our asset rejuvenation plan, in which case our short-term financial growth may be limited during the periods of delay and we may not be able to actualize the potential operating and financial benefits in the manner and timeline we currently contemplate.

2. **Provide a viable source of funding for our capital-intensive asset rejuvenation plan**

Our asset rejuvenation plan is capital-intensive. The Global Offering will give us access to the necessary financing resources to invest in our future growth without long-term, recurring financing costs, particularly amidst the current rising interest rate environment in the world.

The total capital expenditure of our asset rejuvenation plan is estimated to be around US$56.7 million, of which only around 52.1% is expected to be funded with the net proceeds from the Global Offering (assuming the Over-Allotment Option is not exercised and an Offer Price of HK$4.01 per Share). We will require additional sources of funding such as internal resources and external financing to complete our asset rejuvenation plan. For the following reasons, we consider that it is appropriate to partially fund our asset rejuvenation plan with the net proceeds from the Global Offering notwithstanding that (1) our cash and cash equivalent balance of US$4.8 million as of December 31, 2018, (2) our stable operating cash flow, (3) unutilized banking facilities of US$11.0 million as of December 31, 2018, which are mainly reserved for working capital and day-to-day operations and are not suitable nor sufficient to fund our long-term growth, and (4) our *nil* gearing ratio as of December 31, 2018:-

— Our asset rejuvenation plan is capital intensive and is allocated with around US$29.6 million of the net proceeds (assuming the Over-Allotment Option is not exercised and an Offer Price of HK$4.01 per Share). Compared against our total bank borrowing of only US$7.5 million during the Track Record Period, it will be difficult for us to obtain borrowing of such a significant amount being a private company relying on our Controlling Shareholders' personal guarantees.

— We only have 4 hotels and resorts which can be pledged as collaterals for bank borrowings out of our property, plant and equipment. Except for *Fiesta Resort Guam*, they are close to full depreciation. These properties are held as leasehold interests outside of Hong Kong and their titles must be returned to the landlords upon expiry of the underlying land leases. The exact amount of secured bank borrowing that could be obtained by us with these collaterals is therefore uncertain and is likely to fall short of the amount we require for our future plans. In addition, based on the extensive experiences of our Controlling Shareholders and Directors in doing business in the Western Pacific Region, debt financing from commercial banks in Saipan and Guam, such as Bank of Hawaii and Bank of Guam, is unduly burdensome and not a preferred option for us due to (1) their relatively small scale of commercial lending practice, (2) their customarily higher interest rate than in Hong Kong based on our non-committal, informal enquiry with them, and (3) the lack of larger-scaled businesses such as our Group which have genuine funding needs.

— Despite the relatively low interest rate environment currently in Hong Kong, procuring bank borrowings would still incur additional finance costs, and there are likely debt covenants and other restrictions being imposed that may adversely affect our financial and operating performance. It is also necessary for us to maintain a relatively low gearing ratio with sufficient cash in hand to fulfill our day-to-day operations and contingent repair and maintenance, such as counter measures against typhoons and other adverse weather conditions, which Saipan and Guam are prone to. A healthy debt position is also essential to our long-term growth plan to construct or acquire hotels and resorts for additional accommodation capacity as set out in "Business — Strategies on Future Business Development".

3. **Enhance the visibility and awareness of our leisure tourism business in Saipan and Guam**

As a leisure tourism business, we rely on the market visibility, reputation and awareness of our travel products and services to generate a sustainable customer base. As global tourists become more accustomed to online booking channels and more willing to spend on premium travel experiences, our corporate image becomes more transparent and an important factor when travelers select various components of their holidays. The status of being a listed issuer on the Stock Exchange will be an effective mean to raise the profile of our leisure tourism business among travelers in China, South Korea, Japan and the Asia Pacific region (which is also the Stock Exchange's primary investor base) and exemplify the cost-effectiveness of our enhanced online sales and marketing efforts. In conjunction with our asset rejuvenation plan, our listed status will give an unique appeal and assurance to the higher-spending tourists (our targeted guest segment with our upgraded accommodation and service offering) which we are otherwise unable to achieve as a private company. We are aware that a number of our up-market peers and business partners also have a listed status in Asia or elsewhere.

The Listing also has the added advantage of raising and accelerating the awareness of Saipan and Guam as up-and-coming beach holiday destinations that would be difficult to achieve without significant and onerous capital expenditure from the local government, our market peers and us.

4. **Diversify our investor base, enhance the liquidity of our Shares and attain the true value of our Group**

Taking reference from other listed issuers on the Stock Exchange in the tourism and hospitality industry, we note that they benefit from a steadily high transaction volume and broader choice of financing options. We believe that the Listing will provide us with liquidity and create a market for the trading of our Shares, by comparison with the limited liquidity we currently have as a private company.

The Listing will also give as a number of secondary financing options in debt and equity and the opportunity to introduce strategic investors, which will be crucial for our long-term development plans. For example, the long-term possibility of developing and acquiring new hotels and resorts in Saipan will be capital intensive on its own, and will require us to strategically work with established downstream players such as leading and large-scale tour operators and travel agents, which often look for the additional assurance in its strategic partners' listed status. Where suitable opportunity arises and in line with our business strategies, we will also have the options to fund new hotel development or acquisitions by way of new Share issue, so that our working capital would be better utilized for other purposes in furtherance of our business.

In addition, the Listing would diversify our capital and Shareholder base with institutional and retail investors who would help us attain the true value of our Group as one of the leading leisure tourism groups in Saipan and Guam.

5. **The Stock Exchange is the listing platform of choice for our Group**

We believe that the Listing on the Stock Exchange is beneficial to our expansion and growth, and Hong Kong is the listing platform of choice for our Group notwithstanding the Listing expenses involved, for the following reasons:-

— ***Strategic location of stock market in line with our business profile.*** Although our operations and assets are located in the CNMI and Guam, each a U.S. territory, the Stock Exchange in Hong Kong is the most suitable listing platform for us both in terms of commercial viability and geographical proximity. Located in the Western Pacific Region (which is around a 5-hour flight from Hong Kong), the leisure travelers in Saipan and Guam mainly originate from China, South Korea and Japan. Our market profile and major suppliers and business partners are also based in Asia. We believe that our business profile and an investment opportunity in our Group is most attractive towards investors based in the Greater China Region and Asia, which coincides with the market characteristics of the Stock Exchange. We believe that a listing status on the Stock Exchange, uniquely positioned as the key gateway between China and Asia and the rest of the world, will maximize the value of our business and has the ancillary benefits of reinforcing our corporate profile, market awareness and reputation among our key customer base.

— ***Better access to capital and future fund raising.*** In 2018, according to the information published by the Stock Exchange, the amounts of initial public offering funds from new listings and post-listing equity fund raised by listed companies through the Stock Exchange as of December 31, 2018 were HK$286.5 billion and HK$255.2 billion, respectively. We believe that there is a strong investor support for listed companies on the Stock Exchange on both primary and secondary fund raisings.

— ***Ability to attract talents.*** A sizeable number of our management and employees, including our Controlling Shareholders, Executive Directors, Non-Executive Directors and senior management, are originated from or based in Hong Kong, China, the Philippines and the rest of Asia, which are well within the catchment area of the Stock Exchange. A listing status on the Stock Exchange will provide an increased morale and an attractive career platform for our employees, allow us to hire, motivate and retain good employees, and further expand our leisure tourism business which is labor-intensive.

On the basis of the above, notwithstanding that we have had sufficient financial resources during the Track Record Period, we consider that the Listing will be commercially and strategical beneficial for our leisure tourism business and the net proceeds from the Global Offering will give us the necessary financial resources to achieve future growth.

BASIS AND ASSUMPTIONS

Our future plans and intended use of net proceeds described above are subject to the following basis and assumptions:-

General assumptions

— There will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in the CNMI and Guam.

— There will be no material change in the bases or rates of taxation and duties in the CNMI, Guam and Hong Kong.

Specific assumptions

— We will have sufficient financial resources to meet the planned capital and business development requirements during the period to which our business objective relates.

— The Global Offering will be completed in accordance with terms and conditions described in “Structure of the Global Offering”.

- The land leases underlying our *Fiesta Resort Saipan* and *Kanoa Resort* will be renewed prior to implementation of their portion of our asset rejuvenation plan.

- Our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel.

- We will be able to recruit additional key management personnel and staff when required.

- There will be no change in the funding requirement for each of the business strategies described in this Prospectus from the amount as estimated by our Directors.

- There will be no change in the schedule and capital requirements of our asset rejuvenation plan as described in "Business — A. Hotels & Resorts Sector — Hotels and Resorts Development — Asset Rejuvenation Plan".

- We will not be adversely affected by the risk factors set out in "Risk Factors".

- We will be able to continue with our operations in substantially the same manner as we have been operating during the Track Record Period, and we will be able to carry out our implementation plans without disruptions.

CORNERSTONE PLACING

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor, pursuant to which the Cornerstone Investor has agreed to, subject to certain conditions, subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) at the Offer Price which may be purchased with an aggregate amount of US$5.0 million (or approximately HK$39.2 million), excluding brokerage, SFC transaction levy and Stock Exchange trading fee which the Cornerstone Investor is required to pay in respect of the Shares. The number of Shares to be subscribed for by the Cornerstone Investor (rounded down to the nearest whole board lot of 1,000 Shares) is subject to the determination of the Offer Price as illustrated below:

		Upon completion of the Capitalization Issue and the Global Offering			
		Assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options		Assuming the Over-Allotment Option is exercised in full and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options	
Offer Price	**Number of Shares to be subscribed for**	**% of the Offer Shares**	**% of total number of Shares in issue**	**% of the Offer Shares**	**% of total number of Shares in issue**
HK$3.54 (being the low-end of the indicative Offer Price range)	11,073,000	12.3	3.1	10.7	3.0
HK$4.01 (being the mid-point of the indicative Offer Price range)	9,775,000	10.9	2.7	9.4	2.6
HK$4.48 (being the high-end of the indicative Offer Price range)	8,750,000	9.7	2.4	8.5	2.3

To the best knowledge of our Company, the Cornerstone Investor and its ultimate beneficial owners are independent from our Company, our connected persons (as defined under the Listing Rules) and their respective associates, and they are not our existing Shareholders. The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any other Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Shares to be subscribed for by the Cornerstone Investor will carry the same rights in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.08 and Rule 8.24 of the Listing Rules.

Immediately upon the completion of the Capitalization Issue and the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor become our Substantial Shareholder. No special rights have been granted to the Cornerstone Investor pursuant to the Cornerstone Placing. The Offer Shares to be subscribed for by the Cornerstone Investor may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation". Details of the allocation to the Cornerstone Investor will be disclosed in the announcement of results of allocation expected to be published on Wednesday, May 15, 2019.

CORNERSTONE INVESTOR

The information about our Cornerstone Investor set out below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

Sunrise Height Incorporated

The Cornerstone Investor, Sunrise Height Incorporated, is legally and beneficially owned as to 50% by Dr. KWOK Siu Ming, SBS, JP, and as to 50% by his wife, Dr. KWOK LAW Kwai Chun Eleanor, BBS, JP. As of the Latest Practicable Date, the Cornerstone Investor had a 48.73% interest in, and was a controlling shareholder of, Sa Sa International Holdings Limited, a company listed on the Stock Exchange (Stock Code: 0178) which operates the "Sa Sa" retail chain of cosmetics, personal care, skin care and baby care products in Hong Kong, China, Taiwan, Singapore and Malaysia. The Cornerstone Investor is an investment holding entity. With the Cornerstone Placing, the Cornerstone Investor and we will explore future cooperation opportunities in the travel retail market that synergizes with our current leisure tourism business. The performance of the Cornerstone Investor under the Cornerstone Investment Agreement is guaranteed by Dr. KWOK Siu Ming, the chairman and chief executive officer of Sa Sa International Holdings Limited.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to subscribe for certain number of the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following conditions precedent:-

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become, and remaining to be, effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated,

(2) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters),

(3) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the number of Offer Shares subscribed by the Cornerstone Investor under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange,

(4) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions, and

(5) the respective representations, warranties, undertakings, confirmations, agreement and acknowledgment of the Cornerstone Investor and our Company under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and our Company.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, among other things, without the prior written consent of each of our Company, the Joint Global Coordinators and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of 6 months from the Listing Date (the "**Lock-Up Period**"), (1) dispose of, in any way, any of the Offer Shares subscribed by it under the Cornerstone Investment Agreement and any Shares or other securities of or interests in our Company which are derived from such Offer Shares subscribed by the Cornerstone Investor pursuant to any rights issue, capitalization issue or other form of capital reorganization (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares, (2) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner, or (3) enter into any transactions directly or indirectly with the same economic effect as any transactions described above.

After expiration of the Lock-Up Period, the Cornerstone Investor shall, subject to requirements under applicable laws and as specified in the Cornerstone Investment Agreement, be free to dispose of any Relevant Shares and shall ensure that any such disposal will not create a disorderly or false market in the Shares and is otherwise in compliance with the SFO and all applicable laws.

During the Lock-Up Period, the Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as permitted in the Cornerstone Investment Agreement, such as transfer to a wholly-owned subsidiary of the Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing, and the Cornerstone Investor undertakes to procure, that such wholly-owned subsidiary, to be bound by the Cornerstone Investor's obligations prescribed under the Cornerstone Investment Agreement and subject to the restrictions on disposals imposed on the Cornerstone Investor.

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:

BOCOM International Securities Limited

China Everbright Securities (HK) Limited

Haitong International Securities Company Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to be:

BOCOM International Securities Limited

China Everbright Securities (HK) Limited

Haitong International Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Monday, April 29, 2019. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to (among other things) the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms or otherwise, prior to 8:00 a.m. on the Listing Date.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement will be subject to termination with immediate effect by notice (in writing) from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to our Company if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any event, circumstance, or series of events, in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (as a whole), Japan or any other jurisdiction relevant to any member of our Group ("**Relevant Jurisdictions**"), in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanction, withdrawal of trading privileges, strike, lock-out, explosion, flooding, earthquake, volcanic eruption, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or

(ii) any change or development involving a prospective change (excluding any proposed change that is still subject to consultation and in respect of which no decision is made by the relevant administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, or other regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign ("**Authority**")) for enactment, announcement or promulgation as law), or any event, circumstance or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shenzhen Stock Exchange and the Shanghai Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority, New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (as a whole), Japan or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(v) any new law or regulation or any change or development involving a prospective change in existing laws or any event or circumstance resulting in a change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any Relevant Jurisdiction; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar, Japanese Yen or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(viii) any material litigation, legal action, claim or legal proceeding (that would cause a material adverse change) of any third party being threatened or instigated against any member of our Group (excluding those that have been disclosed in this Prospectus); or

(ix) a Director being charged with an indictable offence (other than traffic-related offences that do not carry a penalty of imprisonment) or prohibited by operation of law or otherwise disqualified from acting as a Director; or

(x) any of the Executive Directors vacating his or her office; or

(xi) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than any breach thereof by any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(xii) an Authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) save as disclosed in this Prospectus and the Application Forms, a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering the Shares (including the Shares to be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xv) any adverse change or development involving a reasonably likely material adverse change on our Group, or a significant materialization of any of the risks set out in "Risk Factors"; or

(xvi) material non-compliance of this Prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(xvii) the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus (or to any other documents used in connection with the Hong Kong Public Offering) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xviii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to these paragraphs; or

(xix) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators acting reasonably:

(1) has or will or may have a material adverse affect on the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering (as contemplated in this Prospectus) to proceed or to market the Global Offering (as contemplated in this Prospectus); or

(4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in any of this Prospectus, the Application Forms and/or in any notices, announcements, or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding any documents issued by the Sole Sponsor and the Joint Global Coordinators without the written consent of our Company) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this Prospectus or the Application Forms and/or any notices, announcements or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding any documents issued by the Sole Sponsor and the Joint Global Coordinators without the written consent of our Company) is not fair and honest and based on reasonable assumptions in any material respect; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from any of this Prospectus, the Application Forms, and/or in any notices, announcements or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding any documents issued by the Sole Sponsor and the Joint Global Coordinators without the written consent of our Company); or

(iii) any material adverse change or material adverse development involving a prospective material adverse change in the assets, liabilities, business, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or

(iv) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any material respect, any of the warranties given under the Hong Kong Underwriting Agreement (other than any such breach thereof by the Sole Sponsor or the Hong Kong Underwriters); or

(v) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions and/or such other conditions as may be reasonably acceptable to the Joint Global Coordinators (for and on behalf of the Hong Kong Underwriters), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions and/or such other conditions as may be reasonably acceptable to the Joint Global Coordinators (for and on behalf of the Hong Kong Underwriters)) or withheld; or

(vi) our Company withdraws this Prospectus (and/or any other offering document issued or used in connection with the Global Offering) or the Global Offering; or

(vii) any expert named in "Appendix V — Statutory and General Information — G. Other Information — 7. Qualification of Experts" has withdrawn its consent to being named in any of this Prospectus or the Application Forms or to the issue of any of this Prospectus or the Application Forms; or

(viii) that, as a result of material adverse and abrupt change in market conditions or otherwise, any material order placed by any investor immediately before the Price Determination Agreement is entered into, has been withdrawn or canceled, and the Joint Global Coordinators, in their sole and absolute discretion after due consideration and acting reasonably, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering. For the avoidance of doubt, the right to terminate under this paragraph (ix) is exercisable only from 3:00 p.m. on the day immediately before the Listing Date to 8:00 a.m. on the Listing Date.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by us

Pursuant to Rule 10.08 of the Listing Rules, we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date) except for:

(a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;

(b) any capitalization issue, capital reduction or consolidation or sub-division of Shares; and

(c) the issue of shares or securities pursuant to an agreement entered into before the Listing Date, the material terms of which have been disclosed in this Prospectus in connection with the Global Offering.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-Allotment Option) or the Stock Borrowing Agreement, he or it will not, and shall procure that the relevant registered holder(s) of the Shares, any associates or companies controlled by him or it, any nominees or trustees holding the Shares in trust for him or it (as the case may be), will not:

(a) in the period commencing on the date of this Prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favor of an authorized institution for a bona fide commercial loan) any of our Shares or securities owned by him or it or the relevant registered holder(s), nominee or trustee (including any interest in any Shares controlled by him or it which is, directly or indirectly, the beneficial owner of any of such Shares or securities of our Company (the "**Parent Shares**"); or

(b) in the period of a further six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of (but save pursuant to a pledge or charge as security in favor of an authorized institution for a bona fide commercial loan), any of the Parent Shares if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it (individually) or the Controlling Shareholders (collectively) would cease to be our controlling shareholder (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to (among others) us and the Stock Exchange that, during the First Six- month Period and the Second Six-month Period, he or it will:

(a) when he or it pledges or charges any of our securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters, if any, by any of our Controlling Shareholders and disclose such matters by way of an announcement in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, and our Controlling Shareholders have agreed to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Half-Year Period**"), our Company will not, and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind ("**Encumbrance**") over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

Further, in the event that, during the period of six months commencing on the date on which the First Half-year Period expires (the "**Second Half-Year Period**"), our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Our Controlling Shareholders undertake to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings set out above.

None of the undertakings set out above shall: (i) restrict our Company's ability to sell, pledge, mortgage or charge any share capital or other securities of or any other interest in any of the subsidiaries provided that such sale or any enforcement of such pledge, mortgage or charge will not result in such subsidiaries ceasing to be a subsidiary of our Company; or (ii) restrict any of our Company's subsidiaries from issuing any share capital or other securities thereof or any other interests therein provided that any such issue will not result in that subsidiary ceasing to be a subsidiary of our Company.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules and/or pursuant to the Stock Borrowing Agreement:

(a) at any time during the First Half-Year Period, it/he/she will not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, or any such other securities or any interest in any of the foregoing, as applicable) (the "**Relevant Shares**") or any interest in any company or entity holding, directly or indirectly, any of the Relevant Shares (the "**Holding Entity**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares or an interest in any Holding Entity; or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

(b) at any time during the Second Half-Year Period, it/he/she will not enter into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a Controlling Shareholder of our Company; and

(c) until the expiry of the Second Half-Year period, in the event that it/he/she enters into any of the transactions specified in paragraph (a) (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it/he/she will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of Chairman Tan, Dr. Henry Tan and Tan Holdings have agreed to indemnify, among others, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, our Controlling Shareholders or our Executive Directors of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company, our Controlling Shareholders and our Executive Directors will enter into the International Underwriting Agreement with the Sole Sponsor, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally agree to purchase the International Offer Shares or procure purchasers to purchase such International Offer Shares.

We will grant to the International Underwriters the Over-Allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to require us to offer up to an aggregate of 13,500,000 additional Shares, together representing 15% of the number of Shares initially being offered under the Global Offering, at the Offer Price to solely cover over-allocations in the International Offering, if any.

Under the International Underwriting Agreement, each of Chairman Tan, Dr. Henry Tan and Tan Holdings will agree to indemnify the International Underwriters against certain losses which they may suffer including losses as a result of certain claims or liabilities which might be incurred by the International Underwriters.

Underwriting commission and expenses

Under the terms and conditions of the Hong Kong Underwriting Agreement, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) will receive an underwriting commission equal to 3.5% of the aggregate Offer Price payable in respect of all of the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Offering). The respective entitlements of the Hong Kong Underwriters to the underwriting commission will be paid as separately agreed among the Joint Global Coordinators and the Hong Kong Underwriters. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming the Over-Allotment Option is not exercised at all and based on an Offer Price of HK$4.01 per Share (being the mid-point of the indicative Offer Price range), the total listing expenses (based on the mid point of the offer price range stated in this Prospectus) are estimated to be HK$47.4 million.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this Prospectus, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Independence of the Sole Sponsor

BOCOM International (Asia) Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares). Whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. BOCOM International (Asia) Limited is the Sole Sponsor for the listing of the Shares on the Stock Exchange. BOCOM International Securities Limited, China Everbright Securities (HK) Limited and Haitong International Securities Company Limited are the Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners of the Global Offering.

The Global Offering initially consists of:

(i) the Hong Kong Public Offering of 9,000,000 Offer Shares (subject to adjustment or reallocation as mentioned below) in Hong Kong as described in "Hong Kong Public Offering" in this section below; and

(ii) the International Offering of 81,000,000 Offer Shares (subject to adjustment or reallocation and the Over-Allotment Option as mentioned below) outside the United States in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the International Offering, but may not do both. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have applied for Hong Kong Offer Shares in the Hong Kong Public Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up and to cease on or around, the last day of lodging applications under the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and International Offering respectively may be subject to adjustment and, in the case of the International Offering only, the Over-Allotment Option as set out in "— Over-Allotment Option and Stabilization" in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. Details of the underwriting arrangements are summarized in "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Global Offering and the Capitalization Issue and any Shares which may be issued pursuant to the exercise of the Over-Allotment Option and such listing and permission not subsequently having been revoked prior to the commencement of dealing in our Shares on the Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

The Offer Shares are being offered at the Offer Price which is expected to be fixed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Wednesday, May 8, 2019 and in any event, not later than 12:00 noon on Tuesday, May 14, 2019.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by 12:00 noon on Tuesday, May 14, 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, May 15, 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, May 16, 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 9,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options). Subject to the adjustment or reallocation of Shares between the International Offering and the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalization Issue.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5.0 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 4,500,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEx-GL91-18 requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

(a) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:

   (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators, in their discretion after consultation with our Company, may reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offering to the International Offering;

   (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the initial number of the Hong Kong Offer Shares, then up to 9,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Shares available for subscription under the Hong Kong Public Offering may will be increased to 18,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;

   (iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then 18,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 27,000,000 Shares, representing 30% of the total number of the Offer Shares initially available under the Global Offering;

   (iv) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then 27,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 36,000,000 Shares, representing 40% of total number of the Offer Shares initially available under the Global Offering; and

   (v) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then 36,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 45,000,000 Shares, representing 50% of the total number of the Offer Shares initially available under the Global Offering.

(b) In the event that the International Offer Shares are undersubscribed under the International Offering:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the initial number of the Hong Kong Offer Shares, then up to 9,000,000 Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 18,000,000 Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances where (x) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at HK$3.54 per Offer Share, being the low-end of the indicative Offer Price range stated in this Prospectus.

In the event of a reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may, in their discretion after consultation with our Company, reallocate International Offer Shares as they deem appropriate from the International Offering to the Hong Kong Public Offering to satisfy in whole or in part excess valid applications under the Hong Kong Public Offering. The above clawback mechanism complies with paragraph 4.2 of Practice Note 18 of the Listing Rules and the Stock Exchange's Guidance Letter HKEx-GL91-18.

If the Hong Kong Offer Shares are not fully subscribed for, the Joint Global Coordinators may, in their discretion after consultation with our Company, reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportion as the Joint Global Coordinators deem appropriate.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.48 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Offer Share, amounting to a total of HK$4,525.14 per board lot of 1,000 Offer Shares. If the Offer Price, as finally determined in the manner described in "Structure of the Global Offering — Price Determination of the Global Offering" in this section below, is less than the maximum price of HK$4.48 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL OFFERING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Offering will be 81,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Global Offering (subject to adjustment and the Over-Allotment Option). Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent 22.5% of our enlarged issued share capital immediately after completion of the Global Offering and the Capitalization Issue.

The International Offering is subject to the same conditions as stated in "— Conditions of the Global Offering" in this section.

Allocation

The International Offering will include selective marketing of Offer Shares to professional, institutional and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the book-building process described in "— Price Determination of the Global Offering" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION AND STABILIZATION

In connection with the Global Offering and pursuant to the International Underwriting Agreement, our Company is expected to grant an Over-Allotment Option to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

The Over-Allotment Option is only exercisable if the size of the Global Offering is at least HK$100 million.

Pursuant to the Over-Allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 13,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the same price per Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent 3.6% of our enlarged share capital immediately following the completion of the Global Offering, the Capitalization Issue and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Joint Global Coordinators (or any person acting for them) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-Allotment Option.

The Stabilizing Manager will enter into the Stock Borrowing Agreement with THC Leisure, one of our Controlling Shareholders, whereby the Stabilizing Manager may borrow Shares from THC Leisure on the following conditions:

(a) the stock borrowing will only be effected by the Stabilizing Manager for the settlement of over-allocations in connection with the International Offering;

(b) the maximum number of Shares borrowed from THC Leisure will be limited to 13,500,000 Shares, being the maximum number of Shares which may be allotted and issued by our Company upon full exercise of the Over-Allotment Option;

(c) the same number of Shares borrowed from THC Leisure must be returned to it or its nominees (as the case may be) no later than the third Business Day following the earlier of: (i) the last day on which the Over-Allotment Option may be exercised; (ii) the date on which the Over-Allotment Option is exercised in full and the Shares to be allotted and issued upon exercise of the Over-Allotment Option have been allotted and issued; or (iii) such earlier time as may be agreed in writing between THC Leisure and the Stabilizing Manager;

(d) the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and

(e) no payments will be made to THC Leisure by the Stabilizing Manager in relation to such stock borrowing arrangement.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that it complies with the requirements set forth in Rule 10.07(3) of the Listing Rules. No payment will be made to THC Leisure by the Stabilizing Manager or its agent in relation to such stock.

Stabilization Action

Under the Securities and Futures (Price Stabilizing) Rules under the SFO, stabilization actions can be permitted only if the size of the Global Offering is equal to or more than HK$100 million as described above. Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permitted to do so, in each case in compliance with all applicable laws, rules and regulations, including those of Hong Kong. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

BOCOM International Securities Limited has been appointed by us as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view of stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing action, which if commenced, will be conducted at the sole and absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over- allocated will not exceed the number of Shares that may be allotted and issued by our Company under the Over-Allotment Option, namely 13,500,000 Shares in aggregate, which is 15% of the Shares initially available under the Global Offering.

Stabilization action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) subscribing, or agreeing to subscribe, for our Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling, or agreeing to sell, our Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above.

The Stabilizing Manager, its affiliates or any person acting for it, may take all or any of the above stabilizing action in Hong Kong during the stabilization period.

Specifically, prospective applicants for and investors in the Shares should note that:

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position. Investors should be warned of the possible impact of any liquidation of such long position by the Stabilizing Manager, its affiliates or any other person acting for it, may have an adverse impact on the market price of the Shares;

- stabilizing action cannot be used to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and

- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 13,500,000 additional Shares and cover such over-allocations by exercising the Over-Allotment Option, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at their sole discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Wednesday, May 8, 2019, and in any event not later than 12:00 noon on Tuesday, May 14, 2019, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$4.48 per Share and is expected to be not less than HK$3.54 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) notices of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range.

We will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by our Company with the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The final Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Wednesday, May 15, 2019 in the manner set out in "How to Apply for Hong Kong Offer Shares — 11. Publication of Results".

DEALINGS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, May 16, 2019, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, May 16, 2019, and will be traded in board lots of 1,000.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

— are an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;

— are a Director or chief executive officer of our Company and/or any of our subsidiaries;

— are a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;

— are a close associate of any of the above; or

— have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **HK eIPO White Form** Service at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, April 30, 2019 until 12:00 noon on Tuesday, May 7, 2019 from:

(i) any of the following offices of the **Hong Kong Underwriters**:

BOCOM International Securities Limited	9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
China Everbright Securities (HK) Limited	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
	Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	Fo Tan Branch	No 2,1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, April 30, 2019 until 12:00 noon on Tuesday, May 7, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — S.A.I. LEISURE GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Tuesday, April 30, 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, May 2, 2019 — 9:00 a.m. to 5:00 p.m.
Friday, May 3, 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, May 4, 2019 — 9:00 a.m. to 1:00 p.m.
Monday, May 6, 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, May 7, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, May 7, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Sole Sponsor, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in "— personal collection" to collect share certificate(s)/or refund cheque(s);

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, April 30, 2019 until 11:30 a.m. on Tuesday, May 7, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, May 7, 2019 or such later time under "10. Effects of Bad Weather on the Opening of the Applications Lists" in this section below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;

- agree that none of our Company, the Joint Global Coordinators, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a

Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

— instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

— instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

— instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, April 30, 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Thursday, May 2, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Friday, May 3, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Monday, May 6, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, May 7, 2019	**—**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, April 30, 2019 until 12:00 noon on Tuesday, May 7, 2019 (24 hours daily, except on Tuesday, May 7, 2019 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, May 7, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section below.

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, May 7, 2019.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

— a tropical cyclone warning signal number 8 or above; or

— a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, May 7, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, May 7, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, May 15, 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

— in the announcement to be posted on our website (**www.saileisuregroup.com**) and the Stock Exchange's website (**www.hkexnews.hk**) by no later than 8:00 a.m. on Wednesday, May 15, 2019;

— from the designated results of allocations website (**www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, May 15, 2019 to 12:00 midnight on Tuesday, May 21, 2019;

— by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, May 15, 2019 to Monday, May 20, 2019 on a Business Day;

— in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, May 15, 2019 to Friday, May 17, 2019 at all the receiving bank's designated branches on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus.

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

— within three weeks from the closing date of the application lists; or

— within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

— you make multiple applications or suspected multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

— your Application Form is not completed in accordance with the stated instructions;

— your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

— your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

— the Underwriting Agreements do not become unconditional or are terminated;

— our Company or the Joint Global Coordinators believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

— you apply for more than 50% Hong Kong Offer Shares.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$4.48 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section titled "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, May 15, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, May 15, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, May 16, 2019 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, May 15, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, May 15, 2019, by ordinary post and at your own risk.

(ii) ***If your apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, May 15, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participants stock account as stated in your Application Form on Wednesday, May 15, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

— *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— 11. Publication of Results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, May 15, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the HK eIPO White Form Service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, May 15, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, May 15, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, May 15, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, May 15, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, May 15, 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, May 15, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, May 15, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF S.A.I. LEISURE GROUP COMPANY LIMITED AND BOCOM INTERNATIONAL (ASIA) LIMITED

Introduction

We report on the historical financial information of S.A.I. Leisure Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-71, which comprises the consolidated statements of financial position as at December 31, 2016, 2017 and 2018, the Company statement of financial position as at December 31, 2018 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated April 30, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018 and the consolidated financial position of the Group as at December 31, 2016, 2017 and 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by S.A.I. Leisure Group Company Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
April 30, 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United States dollars ("US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31		
	Note	**2016**	**2017**	**2018**
		US$'000	*US$'000*	*US$'000*
Revenue	6	81,238	89,430	100,178
Cost of inventories sold	8	(7,838)	(10,143)	(15,839)
Food and beverage costs	8	(6,269)	(6,636)	(6,367)
Employee benefit expenses	8	(18,289)	(21,231)	(24,083)
Utilities, repairs and maintenance	8	(6,010)	(6,924)	(6,887)
Operating lease expenses	8	(2,824)	(3,136)	(5,411)
Other (losses)/gains, net	7	(40)	(70)	8
Operating and other expenses	8	(25,680)	(25,557)	(29,180)
Operating profit		14,288	15,733	12,419
Finance income	10	—	45	11
Finance costs	10	(62)	(45)	(11)
Finance costs, net	10	(62)	—	—
Profit before income tax		14,226	15,733	12,419
Income tax expense	11	(1,757)	(2,601)	(650)
Profit and total comprehensive income for the year		12,469	13,132	11,769
Profit and total comprehensive income attributable to:				
Owner of the Company		12,405	12,982	11,694
Non-controlling interests		64	150	75
		12,469	13,132	11,769
Earnings per share attributable to owner of the Company				
- Basic and diluted (Note)	13	12,405	12,982	11,694

Note: The basic earnings per share is calculated based on 1 ordinary share of the Company deemed to have been in issue since January 1, 2016. The earnings per share has not taken into account the proposed Capitalization Issue pursuant to the resolutions of the sole shareholder dated April 9, 2019 because the proposed Capitalization Issue has not been effected as at the date of this report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31 2016	2017	2018
		US$'000	US$'000	US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	14	39,833	40,701	38,202
Investment properties	15	2,853	2,735	2,622
Intangible assets	16	120	557	422
Deferred income tax assets	27	2,493	1,758	1,748
Deposits and prepayments	20	1,162	706	1,032
		46,461	46,457	44,026
Current assets				
Inventories	18	3,369	6,218	8,944
Trade receivables	19	4,795	3,978	4,138
Deposits, prepayments and other receivables	20	2,470	1,538	2,934
Amount due from the intermediate holding company	31(d)	100	2,642	453
Amounts due from related parties	31(d)	2,180	3,488	7,633
Income tax recoverable		2,029	2,588	2,967
Cash and cash equivalents	21	4,897	6,873	4,792
		19,840	27,325	31,861
Total assets		66,301	73,782	75,887
EQUITY				
Equity attributable to owner of the Company				
Share capital	22	—	—	—
Capital reserve	23	27,006	27,006	27,006
Other reserve	11(c)	2,900	4,468	4,809
Retained earnings		23,625	17,607	21,701
		53,531	49,081	53,516
Non-controlling interests	24	1,384	1,534	1,609
Total equity		54,915	50,615	55,125
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	27	1,103	879	956
Current liabilities				
Trade and other payables	25	7,652	8,543	8,667
Contract liabilities	6	209	421	453
Amounts due to related parties	31(d)	2,185	8,268	10,686
Income tax payable		237	56	—
Borrowings	26	—	5,000	—
		10,283	22,288	19,806
Total liabilities		11,386	23,167	20,762
Total equity and liabilities		66,301	73,782	75,887

STATEMENT OF FINANCIAL POSITION

	Note	As at December 31 2018
		US$'000
ASSETS		
Non-current asset		
Investments in subsidiaries		54,225
Current assets		
Prepayments		228
Amount due from a subsidiary	31(d)	150
		378
Total assets		54,603
EQUITY		
Equity attributable to owner of the Company		
Share capital	22	—
Capital reserve	23	54,225
Accumulated losses	23	(2,216)
Total equity		52,009
LIABILITIES		
Current liabilities		
Accruals		432
Amount due to a related party	31(d)	2,162
Total liabilities		2,594
Total equity and liabilities		54,603

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company						
	Share capital	Capital reserve	Other reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	US$'000 *(Note 22)*	*US$'000* *(Note 23)*	*US$'000* *(Note 11(c))*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at January 1, 2016	—	26,631	1,672	18,720	47,023	1,295	48,318
Profit and total comprehensive income for the year	—	—	—	12,405	12,405	64	12,469
Transactions with owner in its capacity as owner:							
Increase in share capital of an operating entity	—	300	—	—	300	—	300
Incorporation of an operating entity	—	75	—	—	75	25	100
Contribution from the intermediate holding company (Note 11)	—	—	1,228	—	1,228	—	1,228
Dividend declared (Note 12)	—	—	—	(7,500)	(7,500)	—	(7,500)
Total transactions with owner in its capacity as owner	—	375	1,228	(7,500)	(5,897)	25	(5,872)
Balance at December 31, 2016	—	27,006	2,900	23,625	53,531	1,384	54,915
Balance at January 1, 2017	—	27,006	2,900	23,625	53,531	1,384	54,915
Profit and total comprehensive income for the year	—	—	—	12,982	12,982	150	13,132
Transactions with owner in its capacity as owner:							
Contribution from the intermediate holding company (Note 11)	—	—	1,568	—	1,568	—	1,568
Dividend declared (Note 12)	—	—	—	(19,000)	(19,000)	—	(19,000)
Total transactions with owner in its capacity as owner	—	—	1,568	(19,000)	(17,432)	—	(17,432)
Balance at December 31, 2017	—	27,006	4,468	17,607	49,081	1,534	50,615
Balance at January 1, 2018	—	27,006	4,468	17,607	49,081	1,534	50,615
Profit and total comprehensive income for the year	—	—	—	11,694	11,694	75	11,769
Transactions with owner in its capacity as owner:							
Contribution from the intermediate holding company (Note 11)	—	—	341	—	341	—	341
Dividend declared (Note 12)	—	—	—	(7,600)	(7,600)	—	(7,600)
Total transactions with owner in its capacity as owner	—	—	341	(7,600)	(7,259)	—	(7,259)
Balance as at December 31, 2018	—	27,006	4,809	21,701	53,516	1,609	55,125

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31		
		2016	2017	2018
		US$'000	*US$'000*	*US$'000*
Cash flows from operating activities				
Net cash generated from operations	29(a)	9,286	9,780	4,339
Income taxes paid		(1,213)	(1,262)	(657)
Net cash generated from operating activities		8,073	8,518	3,682
Cash flows from investing activities				
Purchase of property, plant and equipment		(5,607)	(6,432)	(3,986)
Purchase of investment properties		(65)	—	—
Purchase of intangible assets		(88)	(405)	—
Proceeds from disposal of property, plant and equipment	29(b)	117	295	28
Acquisition of retail operation, net of cash acquired	30	—	—	(1,586)
Advances to the intermediate holding company		—	(5,000)	—
Repayment from the intermediate holding company		—	—	5,000
Interest received		—	45	11
Net cash used in investing activities		(5,643)	(11,497)	(533)
Cash flows from financing activities				
Issue of capital upon incorporation of an operating entity		100	—	—
Proceeds from borrowings		—	10,000	—
Repayment of borrowings		(2,500)	(5,000)	(5,000)
Interest paid		(62)	(45)	(11)
Listing expenses paid		—	—	(219)
Net cash (used in)/generated from financing activities		(2,462)	4,955	(5,230)
Net (decrease)/increase in cash and cash equivalents		(32)	1,976	(2,081)
Cash and cash equivalents at beginning of year		4,929	4,897	6,873
Cash and cash equivalents at end of the year	21	4,897	6,873	4,792

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

S.A.I. Leisure Group Company Limited (the "Company") was incorporated in the Cayman Islands on October 18, 2018 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "Group") own hotels and are engaged in hotel operations in Guam and Saipan, retail of luxury accessories in Guam, Saipan and Hawaii and provision of destination services in Saipan (the "Listing Businesses"). The immediate holding company and intermediate holding company of the Company is THC Leisure Holdings Limited ("THC Leisure") and Tan Holdings Corporation ("Tan Holdings"), respectively. The ultimate controlling party of the Group is Dr. Tan Siu Lin and Dr. Tan Henry (the son of Dr. Tan Siu Lin), who are parties acting in concert and have been collectively controlling the Group.

1.2 Reorganization

Immediately prior to the Reorganization (as defined below) and during the Track Record Period, the Listing Businesses were operated by certain operating subsidiaries (the "Operating Subsidiaries"). The Operating Subsidiaries were collectively controlled by Dr. Tan Siu Lin and Dr. Tan Henry (the "Controlling Shareholders") throughout the Track Record Period.

In preparation for the initial public offering ("IPO") and listing (the "Listing") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, a group reorganization (the "Reorganization") was undertaken pursuant to which the companies engaged in the Listing Businesses were transferred to the Company. The Reorganization involved the following steps:

(a) **Incorporation of the immediate holding company, the Company and investment holding companies:**

(i) On October 18, 2018, THC Leisure was incorporated in the British Virgin Islands (the "BVI") with 1 ordinary share of US$1 each allotted and issued to the initial subscriber and subsequently transferred to Tan Holdings.

(ii) On October 18, 2018, the Company was incorporated in the Cayman Islands as an exempted company with 1 ordinary share of HK$0.01 each allotted and issued to the initial subscriber and subsequently transferred to THC Leisure.

(iii) On October 18, 2018, S.A.I. CNMI Holdings Limited ("S.A.I. CNMI Holdings") was incorporated in the BVI with 1 ordinary share allotted and issued to the initial subscriber and subsequently transferred to the Company. S.A.I. CNMI Holdings is intended to be the intermediate holding company of all entities incorporated in the Commonwealth of the Northern Mariana Islands ("CNMI").

(iv) On October 18, 2018, S.A.I. Guam Holdings Limited ("S.A.I. Guam Holdings") was incorporated in the BVI with 1 ordinary share allotted and issued to the initial subscriber and subsequently transferred to the Company. S.A.I. Guam Holdings is intended to be the intermediate holding company of all entities incorporated in Guam and Hawaii.

(v) On October 24, 2018, S.A.I. Guam Tourism Inc. ("S.A.I. Guam Tourism") was incorporated in Guam with 10,000 ordinary shares of US$1 each allotted and issued to the initial subscriber and subsequently transferred to S.A.I. Guam Holdings. S.A.I. Guam Tourism is intended to be the intermediate holding company of the operating entities incorporated in Guam and Hawaii.

(vi) On November 9, 2018, S.A.I. CNMI Tourism Inc. ("S.A.I. CNMI Tourism") was incorporated in the CNMI with 100 ordinary shares of US$1 each allotted and issued to the initial subscriber and subsequently transferred to S.A.I. CNMI Holdings. S.A.I. CNMI Tourism is intended to be the intermediate holding company of the operating entities incorporated in the CNMI.

(b) **Transfer of shares in the CNMI incorporated Operating Subsidiaries engaged in the Listing Businesses:**

(i) On November 15, 2018, S.A.I. CNMI Tourism acquired the entire issued share capital of Century Tours, Inc. from Luen Thai Leisure Company Limited, a company ultimately controlled by the Controlling Shareholders, in consideration for which THC Leisure issued 1,068 shares to Tan Holdings.

(ii) On November 15, 2018, S.A.I. CNMI Tourism acquired 75,000 shares, representing 75% of the issued share capital of Gemkell (Saipan) Corporation from Luen Thai Enterprises Limited, a company ultimately controlled by the Controlling Shareholders, in consideration for which THC Leisure issued 160 shares to Tan Holdings.

(iii) On November 15, 2018, S.A.I. CNMI Tourism acquired the entire issued share capital of Asia Pacific Hotels, Inc. from Tan Holdings, in consideration for which THC Leisure issued 21,536 shares to Tan Holdings.

(iv) On November 15, 2018, S.A.I. CNMI Tourism acquired the entire issued share capital of Let's Go Tour Company from Tan Holdings, in consideration for which THC Leisure issued 359 shares to Tan Holdings.

(v) On November 15, 2018, S.A.I. CNMI Tourism acquired the entire issued share capital of Saipan Adventures, Inc. from Tan Holdings, in consideration for which THC Leisure issued 826 shares to Tan Holdings.

(c) **Transfer of shares in Guam incorporated Operating Subsidiaries engaged in the Listing Businesses:**

(i) On November 16, 2018, S.A.I. Guam Tourism acquired the 9,499,995 shares of Asia Pacific Hotels, Inc. (Guam) from L&T (Guam) Corporation, a fellow subsidiary, in consideration for which THC Leisure issued 11,159 shares to Tan Holdings.

(ii) On November 16, 2018, S.A.I. Guam Tourism acquired 60,000 shares, representing 75% of the issued share capital of Gemkell Corporation from L&T (Guam) Corporation, a fellow subsidiary, in consideration for which THC Leisure issued 4,891 shares to Tan Holdings.

Upon the completion of the Reorganization on November 16, 2018, the Company became the holding company of the companies comprising the Group.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	Attributable equity interest of the Group				Principal activities/place of operation
			December 31			As at the date of this report	
			2016	2017	2018		
Directly held:							
S.A.I. Guam Holdings Limited (Note (i))	Incorporated on October 18, 2018 in the BVI	US$ 1	N/A	N/A	100%	100%	Investment holding, BVI
S.A.I. CNMI Holdings Limited (Note (i))	Incorporated on October 18, 2018 in the BVI	US$ 1	N/A	N/A	100%	100%	Investment holding, BVI
Indirectly held:							
S.A.I. CNMI Tourism Inc. (Note (i))	Incorporated on November 9, 2018 in the CNMI	US$ 100	N/A	N/A	100%	100%	Investment holding, Saipan
S.A.I. Guam Tourism Inc. (Note (i))	Incorporated on October 24, 2018 in Guam	US$ 10,000	N/A	N/A	100%	100%	Investment holding, Guam
Asia Pacific Hotels, Inc. (Note (i), (ii))	Incorporated on November 19, 1997 in the CNMI	US$15,000,000	100%	100%	100%	100%	Hotel operations, Saipan
CKR, LLC (Note (i), (ii), (iv))	Incorporated on June 28, 2012 in the CNMI	N/A	100%	100%	100%	100%	Dormant, Saipan
Asia Pacific Hotels, Inc. (Guam) (Note (i), (ii))	Incorporated on April 29, 2002 in Guam	US$ 9,500,000	100%	100%	100%	100%	Hotel operations, Guam
Gemkell Corporation (Note (i), (ii))	Incorporated on January 26, 2004 in Guam	US$ 80,000	75%	75%	75%	75%	Retail of luxury accessories, Guam
Gemkell (Saipan) Corporation (Note (i), (ii))	Incorporated on June 10, 2016 in the CNMI	US$ 100,000	75%	75%	75%	75%	Retail of luxury accessories, Saipan
Taga Fashion Group, LLC (Note (i), (ii))	Incorporated on November 3, 2006 in Guam	US$ 1,000	75%	75%	75%	75%	Retail of luxury accessories, Guam
Hawes Group, LLC (Note (i), (ii))	Incorporated on November 29, 2006 in Guam	US$ 1,000	75%	75%	75%	75%	Retail of luxury accessories, Guam
Ellen Group, LLC (Note (i), (ii))	Incorporated on March 19, 2012 in Guam	US$ 1,000	75%	75%	75%	75%	Retail of luxury accessories, Guam
Gemkell U.S.A. LLC (Note (i), (ii))	Incorporated on February 20, 2018 in Hawaii	US$ 1,000,000	N/A	N/A	75%	75%	Retail of luxury accessories, Hawaii
Century Tours, Inc. (Note (i), (ii))	Incorporated on October 23, 2012 in the CNMI	US$ 1,000,000	100%	100%	100%	100%	Provision of ground handling and concierge services and retail of consumer products, Saipan

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital	Attributable equity interest of the Group December 31 2016	2017	2018	As at the date of this report	Principal activities/place of operation
Let's Go Tour Company (Note (i), (ii))	Incorporated on November 19, 2014 in the CNMI	US$500,000	100%	100%	100%	100%	Provision of excursion service, Saipan
Saipan Adventures, Inc. (Note (i), (ii))	Incorporated on September 24, 2013 in the CNMI	US$100,000	100%	100%	100%	100%	Provision of ground handling and concierge services, Saipan
J&K Marine Sports, Inc. (Note (i), (ii))	Incorporated on November 2, 2000 in the CNMI	US$ 50,000	N/A	100%	100%	100%	Provision of excursion service, Saipan
Sea-Touch, LLC (Note (i), (ii), (iii), (iv))	Incorporated on October 3, 2013 in the CNMI	N/A	100%	100%	100%	100%	Provision of excursion service, Saipan

Notes:

(i) No statutory financial statements have been prepared for those subsidiaries as there were no statutory requirements.

(ii) These companies are regarded as Operating Subsidiaries.

(iii) Sea-Touch, LLC ("Sea-touch") was acquired by Tan Holdings on June 7, 2016. The ownership interest in Sea-Touch has been transferred from Tan Holdings to Let's Go Tour Company in 2016 as the consideration for capital injection. Accordingly, Sea-touch became a wholly-owned subsidiary of Let's Go Tour Company.

(iv) CKR, LLC and Sea-Touch, LLC are limited liability companies which do not have the concept of shares or stock.

All companies now comprising the Group have adopted December 31, as the year-end date.

1.3 **Basis of presentation**

The companies now comprising the Group, engaging in the Listing Businesses, were under the common collective control of the Controlling Shareholders (under the acting in concert arrangement), immediately before and after the Reorganization. Accordingly, the Reorganization is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The Historical Financial Information has been prepared by including the historical financial information of the companies engaged in the Listing Businesses, under the common control of the Controlling Shareholders immediately before and after the Reorganization and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining companies first came under the control of the Controlling Shareholders, whichever is the shorter period.

The net assets of the companies comprising the Group were consolidated using the existing book values from the Controlling Shareholders' perspective which also represents the deemed cost of investment in subsidiaries in the Company's separate financial statements. No amount is recognized in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identified assets, liabilities and contingent liabilities over cost at the time of business combination under common control to the extent of the continuation of the controlling parties' interest. Difference between the net assets of the companies comprising the Group and the nominal value of share capital issued by the Company is recorded in "Capital reserve" in equity in the consolidated statements of financial position throughout the Track Record Period.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

Costs of investments in subsidiaries includes direct attributable costs of investment and is being the amount of net asset value of the subsidiaries for share-settled transaction under the Reorganization and business combination under common control.

Tax charges have been determined based on the amount recorded by the legal entities within the Group in their individual statutory accounts or management accounts, where applicable, according to the applicable tax rules and rates in their respective jurisdiction of operations.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost basis.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas when assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

HKFRS 9 and HKFRS 15 are mandatorily effective for financial year beginning on or after January 1, 2018. In preparation of the Historical Financial Information, they are applied consistently throughout the Track Record Period.

(a) ***New and amended standards and interpretations not yet adopted***

The following are new standards, amendments to standards and interpretations which have been issued but are not yet effective during the Track Record Period and have not been early adopted by the Group in preparing the Historical Financial Information:

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	January 1, 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	January 1, 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	January 1, 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	January 1, 2019
HKFRS 16	Leases	January 1, 2019
HK(IFRIC) - Int 23	Uncertainty over income tax treatments	January 1, 2019
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	January 1, 2020
Amendments to HKFRS 3	Definition of a business	January 1, 2020
HKFRS 17	Insurance contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new and amended standards and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these new and amended standards and interpretations to existing HKFRS and none of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16: Leases

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. The standard replaces HKAS 17 Leases and related interpretations.

HKFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, unless the underlying asset is of low value or the lease is short-term, in the consolidated statements of financial position. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability in the consolidated statements of comprehensive income, and also classifies cash repayments of the lease liability into principal portion and an interest portion for presentation in the consolidated statements of cash flows.

The standard will affect primarily the accounting for the Group's operating leases when the Group is the lessee. The new standard will therefore result in a reclassification of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated statements of financial position. In the consolidated statements of comprehensive income, as a result, the annual rental and amortization expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard will impact the financial position in terms of total assets and liabilities. The Group has non-cancellable operating lease commitments of approximately US$24,475,000, US$28,275,000 and US$29,541,000, respectively, as of December 31, 2016, 2017 and 2018 in Note 28.

For the lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

It is mandatory for financial years commencing on or after January 1, 2019. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of January 1, 2019 and that comparatives will not be restated. Based on the preliminary assessment, management expects HKFRS 16 will have significant impact on the financial position as mentioned above but no significant impact on the financial performance of the Group.

2.2 **Subsidiaries**

2.2.1 **Business combination under common control**

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling parties.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in consideration or goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income includes the results of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is shorter period, regardless of the date of the common control combination. The Historical Financial Information includes the entities that were engaged in the Listing Businesses and controlled by the Controlling Shareholders during the years presented. These activities were consolidated with all intra-group balances and transactions eliminated with the Group.

2.2.2 **Consolidation**

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 **Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

(i) *Functional and presentation currency*

Items included in Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in US$, which is the Company's functional and the Group's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "Other (losses)/gain, net".

(iii) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of total comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.6 **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	20 to 48 years
Renovation and leasehold improvements	Shorter of lease term or 10 to 15 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized in the consolidated statements of comprehensive income.

2.7 **Construction-in-progress**

Construction-in-progress represents property, plant and equipment under construction and pending installation and is stated at cost. Cost includes the expenditure that is directly attributable to the construction of the items. No depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.6.

2.8 **Investment properties**

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

The Group's investment properties comprise buildings located in Saipan and Guam, which is measured initially at their costs, including the related transaction costs and where applicable, borrowing costs.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimated useful lives of 20 to 48 years.

Subsequent expenditure is capitalized to the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are expensed in the consolidated statements of comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognized on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in the consolidated statements of comprehensive income in the period of the retirement or disposal.

2.9 **Intangible assets**

Intangible assets represent computer software licenses and brand franchises and distribution rights that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2.10).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs incurred to acquire and bring specific computer software licenses to working condition are capitalized.

Brand franchises and distribution rights are agreements entered into with the brand owners by the Group in the capacity as franchisee. Franchisee fee paid to certain brand owners are expensed in profit or loss as incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Computer software. . . . . 5 years

2.10 **Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each of the period-end date.

2.11 **Financial assets**

(a) ***Classification***

Financial asset is classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classified its financial assets as measured at amortized cost.

(b) ***Recognition and measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments held at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(c) ***Impairment***

For trade receivables without a significant financing component, the Group applies the simplified approach permitted by HKFRS 9, which requires to recognize the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognized amount is recognized in profit or loss, as an impairment loss or a reversal of an impairment loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are disaggregated by different credit risk characteristics of customers that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables are written off (either partially or in full) when there is no reasonable expectation of recovery.

(d) ***Derecognition***

The Group derecognizes a financial assets, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of de-recognition of transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit or loss:

- the carrying amount of the financial asset transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability.

2.12 **Financial liabilities**

(a) ***Recognition and measurement***

Financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities at amortized cost are recognized initially at fair value net of transaction costs incurred and subsequently stated at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) ***Derecognition***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.13 **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.14 **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first out ("FIFO") method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Hotel consumables including linens and toiletries are expensed-off as incurred.

2.15 **Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

2.16 **Contract liabilities**

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. Contract liabilities are recognized for services to be provided to customers represented by the excess of consideration received from the customers according to agreed customer billing schedules over cumulative revenue recognized.

2.17 **Cash and cash equivalents**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with banks.

2.18 **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 **Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.20 **Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the period-end date.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the consolidated statements of comprehensive income in the period in which they are incurred.

2.21 **Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) ***Deferred income tax***

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax are not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) ***Offsetting***

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 **Employee benefits**

(a) ***Pension obligations***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

During the Track Record Period, the employees in Saipan, Guam and Hawaii are required to participate in a defined contribution pension scheme as defined in subsection 401(k) of the Internal Revenue Code. The subsidiary may make matching or non-elective contributions to the plan on behalf of eligible employees that is limited to a maximum pre-tax annual contribution of US$18,000, US$18,000 and US$18,500 for the years ended December 31, 2016, 2017 and 2018, respectively.

(b) ***Profit-sharing and bonus plan***

The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) ***Termination benefits***

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.23 **Provision**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 **Revenue recognition**

Revenue is recognized when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognized when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group consider all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognized over time if any of such criteria are met that the Group:

- provide all of the benefits received and consumed simultaneously by the customer; or

- create and enhance an asset that the customer controls as the Group perform; or

- do not create an asset with an alternative use of the Group and the Group has an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

The Group recognizes incremental costs incurred in obtaining contracts with customers as contract costs if those costs are expected to be recoverable. The contract costs are amortized on a basis consistent with the pattern of the transfer of the goods or services to which the asset relates. As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that the Group otherwise would have recognized is one year or less.

In instances where the revenue is determined to be recognized over time, the Group will measure its progress toward complete satisfaction to determine the timing of revenue recognition in a pattern that reflects the transfer of control of the promised product or service to the customer. The Group mainly employs the following two methods for measuring progress:

- Output methods, that recognize revenue based on direct measurements of the value transferred to the customer; or

- Input methods, that recognize revenue based on the Group's efforts to satisfy the performance obligation.

An entity is a principal if it controls the promised products or services before they are transferred to the customer. An entity is an agent if its role is to arrange for another entity to provide goods or service. The principal recognizes as revenue the "gross" amount paid by the customer for the specified product and service. The agent recognizes as revenue the commission or fee earned for facilitating the transfer of the specified goods or services (the "net" amount).

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generates its revenue, are presented below.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer.

The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) **Hotel and hospitality**

Hotel and hospitality mainly includes full service hotels operation and select service hotels operation within which the Group provides hotel accommodations, food and beverage and other hospitality in Saipan and Guam.

The Group self-operate all its hotels. Room revenue is recognized over time in the accounting period in which the hotel accommodation services are transferred to the customer.

The Group sells the rooms directly either to tour operators on a wholesales basis, traditional travel agents ("TTAs"), corporate customers and individuals. The Group also sells the rooms through the online travel agents ("OTAs") to the end customers. On this basis, tour operators, TTAs, corporate customer and individuals are accounted for as the Group's customers. The Group has an agency relationship with OTAs whereby OTAs would book the room when they receive customers' order and in return receive fixed rate commission for their service. As such, the Group regards OTAs as the agents of the Group and their end-guests as the Group's customers. Revenue is recognized based on the amount received from the end-guests and payment made to the OTAs is recorded as commission expenses.

For the room revenue sold to the TTAs, a credit term of 30 days from the date of issue of invoice to the TTAs is granted. Invoices are issued to the TTAs twice a month. For the sale with OTAs, payment are either settled by the end-guests upon check-out by end-guests or settled by OTAs on a monthly basis. For certain sale with corporate customers, a credit term of 30 days is granted.

Revenue from food and beverage recognized at a point of time when the food and beverage are delivered to the customers.

Rental income received or receivable under operating leases is recognized in the consolidated statements of comprehensive income in equal instalments over the periods covered by the lease terms. Contingent rentals are recognized as income in the accounting period in which they are earned.

(b) **Retail sales of luxury accessories, souvenirs and others**

The Group procures merchandise from suppliers and sells products directly to customers in their self-operated boutiques, in which the revenue is recognized at a point of time when the control of the products is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognized on a gross basis. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

(c) **Excursion tour operation and land arrangement services**

The Group provides short-term self-operated excursion tour operation and land arrangement services for the tourists in Saipan. Revenue for excursion tours is recognized over time in accounting period in which the control of services are transferred to the customer because the customer simultaneously receives and consumes benefits provided by the Group's performance as it performs. Payment is made to the Group before the customers enjoy the tour service.

Commission income for the land arrangement activities is recognized when the services are rendered to the customers. The Group considered that it is an agent in providing these services. Payment is made in advance by the time the reservation is confirmed by the Group.

2.25 **Leases (as the lessee)**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (Note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.26 **Leases (as the lessor)**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under an operating lease, the asset is included in the consolidated statements of financial position based on the nature of the asset.

Lease income on operating leases is recognized over the term of the lease on a straight-line basis.

2.27 **Dividend distribution**

Dividend distribution to the Operating Subsidiaries' shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the Operating Subsidiaries' shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorized for issue, are disclosed as a non-adjusting event and are not recognized as liability at the end of the reporting period.

2.28 **Financial guarantee contracts**

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.29 **Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 Financial risk management

3.1 **Financial risk factors**

The Group is exposed to various kinds of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(i) ***Market risk***

(a) *Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The subsidiaries at the Group mainly operate in Saipan, Guam and Hawaii with most of the transactions settled in US$. Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at December 31, 2016, 2017 and 2018, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US$. Therefore, the management considers the foreign exchange risk is insignificant to the Group.

(b) *Interest rate risk*

The Group's cash flow interest rate risk mainly arises from banks deposits and borrowings carried at floating interest rates.

As at December 31, 2016, 2017 and 2018, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years would have been approximately US$23,000 higher/lower, US$8,000 higher/lower and US$23,000 higher/lower, respectively.

(ii) ***Credit risk***

The Group is exposed to credit risk in relation to its cash at bank, trade receivables, deposits and other receivables, and amounts due from related parties. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group expects that there is no significant credit risk associated with cash at bank since they are deposited with credit worthy financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(a) ***Trade receivables***

The Group applies the simplified approach to provide expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

As at December 31, 2016, 2017 and 2018, the impact of the expected loss rate for trade receivables from the related parties is assessed to be insignificant. The loss allowance provision for trade receivables from the related parties was not material during the Track Record Period.

To measure the expected credit losses of trade receivables from third parties, trade receivables have been grouped based on shared credit risk characteristics and the days past due. All customers of the Group are assessed collectively using a provision matrix. The loss allowance provision as at December 31, 2016, 2017 and 2018 is determined as follows; the expected credit losses below also incorporate forward looking information.

The provision for trade receivables from third parties of hotel operation as at December 31, 2016, 2017 and 2018 reconciles to the opening loss allowance for that provision as follows:

	Current	Within 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
At December 31, 2016						
Expected loss rate	3.5%	4.1%	9.8%	30.2%	94.0%	
Gross carrying amount (US$'000)	3,096	442	174	43	50	3,805
Loss allowance provision (US$'000)	107	18	17	13	47	202
At December 31, 2017						
Expected loss rate	6.1%	6.6%	15.6%	38.5%	96.8%	
Gross carrying amount (US$'000)	2,932	244	32	13	62	3,283
Loss allowance provision (US$'000)	180	16	5	5	60	266
At December 31, 2018						
Expected loss rate	2.9%	5.7%	15.7%	32.6%	82.1%	
Gross carrying amount (US$'000)	2,309	491	83	43	78	3,004
Loss allowance provision (US$'000)	67	28	13	14	64	186

As at December 31, 2016, 2017 and 2018, the carrying amount of trade receivables from third parties of retail operation and destination service were approximately US$213,000, US$274,000 and US$192,000 respectively, the management has assessed that the expected credit losses rate for these receivables is immaterial.

Please refer to Note 19 for the movements on the provision for impairment of trade receivables.

For the year ended December 31, 2016, 2017 and 2018, the provision for loss allowances were recognized in the consolidated statements of comprehensive income in "Operating and other expenses" in relation to impaired trade receivables.

As at December 31, 2016, 2017 and 2018, the carrying amount of trade receivables from third parties were approximately US$3,816,000, US$3,291,000 and US$3,010,000 respectively, and thus the maximum exposure to loss was approximately US$3,816,000, US$3,291,000 and US$3,010,000 respectively.

(b) ***Deposits and other receivables, amount due from the intermediate holding company and amounts due from related parties***

The Group uses four categories for deposits and other receivables, amount due from the intermediate holding company and amounts due from related parties which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Customers has difficulties in making full payment despite numerous reminders	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at December 31, 2016, 2017 and 2018, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognized during the years was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognized during the Track Record Period.

As at December 31, 2016, 2017 and 2018, the maximum exposure to loss of these financial assets were as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Deposits and other receivables	464	495	662
Amount due from the intermediate holding company	100	2,642	453
Amounts due from related parties	2,180	3,488	7,633
	2,744	6,625	8,748

(iii) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 26) so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

At the end of each reporting period, all the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date are less than 1 year or repayable on demand.

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "Equity" as shown in the consolidated statements of financial position.

The gearing ratios as at December 31, 2016, 2017 and 2018 were as follows:

	As at December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Borrowings (Note 26)	—	5,000	—
Less: Cash and cash equivalents (Note 21)	(4,897)	(6,873)	(4,792)
Net cash	(4,897)	(1,873)	(4,792)
Total capital	54,915	50,615	55,125
Gearing ratio	N/A	N/A	N/A

As at December 31, 2016, 2017 and 2018, the gearing ratio is not applicable due to net cash position.

3.3 Fair value estimation

The carrying values of the Group's financial assets and financial liabilities are reasonable approximation of their fair values due to the relatively short term nature of these financial instruments.

3.4 **Offsetting financial assets and financial liabilities**

(a) ***Financial assets***

The following financial assets are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the consolidated statements of financial position	Net amounts of financial assets presented in the consolidated statements of financial position
	US$'000	*US$'000*	*US$'000*
As at December 31, 2017			
Amount due from the intermediate holding company.	5,000	(2,358)	2,642

(b) ***Financial liabilities***

The following financial liabilities are subject to offsetting, enforceable master netting arrangement and similar agreements.

	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the consolidated statements of financial position	Net amounts of financial liabilities presented in the consolidated statements of financial position
	US$'000	*US$'000*	*US$'000*
As at December 31, 2017			
Amount due to the intermediate holding company	2,358	(2,358)	—

No other financial assets and liabilities were subject to offsetting, enforceable master netting arrangement and similar agreements as at December 31, 2016, 2017 and 2018.

4 **Critical accounting estimates and judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) ***Provision for impairments of trade and other receivables***

The Group's management determines the provision for impairment of trade and other receivables on a forward looking basis and the expected lifetime losses are recognized from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month expected credit losses. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed by the Group's management.

(ii) ***Estimated useful lives of property, plant and equipment***

The Group's management determines the estimated useful lives and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The useful lives could be changed as a result of asset utilization, internal technical evaluation, environmental and anticipated use of the assets tempered by related industry benchmark information. Management will change the depreciation charge where useful lives are different from the previously estimated lives.

(iii) ***Current and deferred income tax***

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iv) ***Net realizable value of inventories***

The Group writes down inventories to net realizable value based on an assessment of the realizability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(v) ***Asset acquisition***

The Group's management assesses each transaction to determine whether the assets acquired are businesses or a group of assets that do not constitute a business. During the Track Record Period, the management has concluded that certain acquisitions are property acquisitions and are accounted for in accordance with HKAS 16 Property, Plant and Equipment. In the opinion of the management, these assets did not constitute businesses as defined in HKFRS 3 Business Combinations, as there were no processes identified and acquired within these assets to warrant classification as businesses. These missing processes were significant in generating output and could not be easily replicated by a market participant in relatively short period.

5 Segment information

Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions and resources allocation. The Group's businesses are managed according to the nature of their operations and the products and services they provide. The Group has identified reportable operating segments as follows:

The executive directors has identified three reportable operating segments as follows:

(a) Hotel and hospitality: operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam;

(b) Retail of luxury accessories: sales of luxury accessories in retail stores in Saipan, Guam and Hawaii;

(c) Destination services: provision of destination activities in Saipan including (i) operation of souvenir and convenience stores; (ii) excursion tour operation; and (iii) provision of land arrangement services.

The Group's business activities are conducted predominantly in Guam, Saipan and Hawaii.

The Group's CODM assesses the performance of the operating segments based on adjusted operating profit/(loss). Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other (losses)/gains, net are not included in the result for each of the operating segment that is reviewed by the Group's CODM.

The segment information provided to the executive directors for the reportable segments for the years ended December 31, 2016, 2017 and 2018 are as follows:

	Year ended December 31, 2016			
	Hotel and hospitality	**Retail of luxury accessories**	**Destination services**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue				
Total segment revenue	63,329	13,873	4,281	81,483
Inter-segment revenue	(245)	—	—	(245)
Revenue from external customers	63,084	13,873	4,281	81,238
Segment results	12,970	527	831	14,328
Other losses, net				(40)
Finance costs				(62)
Profit before income tax				14,226
Income tax expense				(1,757)
Profit for the year				12,469

	Year ended December 31, 2016			
	Hotel and hospitality	Retail of luxury accessories	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Profit for the year includes:				
Depreciation for property, plant and equipment	4,980	373	128	5,481
Depreciation for investment properties	147	—	—	147
Amortization for intangible assets	5	—	18	23
Provision for obsolete inventory	—	53	—	53
Provision for impairment of trade receivables	102	—	—	102
Additions of property, plant and equipment	3,699	494	643	4,836
Additions of investment properties	65	—	—	65
Additions of intangible assets	84	4	—	88

	Year ended December 31, 2017			
	Hotel and hospitality	Retail of luxury accessories	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue				
Total segment revenue	67,428	17,488	4,932	89,848
Inter-segment revenue	(334)	—	(84)	(418)
Revenue from external customers	67,094	17,488	4,848	89,430
Segment results	14,061	697	1,045	15,803
Other losses, net				(70)
Finance income				45
Finance costs				(45)
Profit before income tax				15,733
Income tax expense				(2,601)
Profit for the year				13,132
Profit for the year includes:				
Depreciation for property, plant and equipment	4,348	753	154	5,255
Depreciation for investment properties	118	—	—	118
Amortization for intangible assets	86	1	17	104
Provision for obsolete inventory	—	10	14	24
Provision for impairment of trade receivables	263	—	—	263
Additions of property, plant and equipment	2,058	3,613	815	6,486
Additions of intangible assets	540	—	1	541

	Year ended December 31, 2018			
	Hotel and hospitality	Retail of luxury accessories	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue				
Total segment revenue	66,793	28,979	4,602	100,374
Inter-segment revenue	(196)	—	—	(196)
Revenue from external customers	66,597	28,979	4,602	100,178
Segment results	13,521	468	939	14,928
Other gains, net				8
Listing expenses				(2,517)
Finance income				11
Finance costs				(11)
Profit before income tax				12,419
Income tax expense				(650)
Profit for the year				11,769
Profit for the year includes:				
Depreciation for property, plant and equipment	4,326	1,307	222	5,855
Depreciation for investment properties	113	—	—	113
Amortization for intangible assets	116	1	18	135
Provision for obsolete inventory	2	9	18	29
Reversal of impairment of trade receivables	(44)	—	—	(44)
Additions of property, plant and equipment	2,497	738	139	3,374

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective group entities. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the consolidated statements of comprehensive income.

Geographical information

The amount of revenue from external customers broken down by geographical location is as follows:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Saipan	48,802	57,263	59,532
Guam	32,436	32,167	35,163
Hawaii	—	—	5,483
	81,238	89,430	100,178

The geographical location is based on the location at which the services were rendered or the goods delivered.

The non-current assets other than deferred income tax assets and financial instruments broken down by geographical location of the assets, is shown as below:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Saipan	15,169	15,750	13,801
Guam	28,348	28,483	27,835
Hawaii	—	—	4
	43,517	44,233	41,640

Information about major customers

The revenue from external parties is derived from numerous external customers and the revenue reported to the executive directors is measured in a manner consistent with that in the Historical Financial Information.

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Customer A	11,574	10,032	11,467

All other customers individually accounted for less than 10% of the Group's revenue for the respective years.

6 Revenue

(a) *Disaggregation of revenue*

The Group derives its revenue from the transfer of goods and services over time and at point in time in the following major product lines:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Room rentals	42,783	45,925	45,652
Food and beverage	18,384	18,901	18,886
Retailing			
- Luxury accessories	13,873	17,488	28,979
- Souvenirs and others	1,454	1,684	1,561
Operating excursion tour and rendering of land arrangement services	2,827	3,164	3,041
Other hospitality (Note (i))	781	1,138	939
Space rental income (Note (ii))	1,136	1,130	1,120
	81,238	89,430	100,178

Notes:

(i) Other hospitality mainly represents late check-out charges, cancellation charge, laundry income, sales of items from mini bar, smoking fee and extra bed charges.

(ii) Space rental income mainly represents income from rental of our hotel premises.

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Timing of revenue recognition			
At point in time	36,899	41,778	52,530
Over time	43,203	46,522	46,528
	80,102	88,300	99,058
Revenue from other sources:			
Rental income	1,136	1,130	1,120
	81,238	89,430	100,178

(a) ***Contract liabilities***

The Group has recognized the following revenue-related contract liabilities:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Contract liabilities related to hotel operation (Note (i), (ii))	209	421	453

Notes:

(i) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized in the respective year relate to carried-forward contract liabilities.

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year — hotel operation	188	209	421

(ii) Contract liabilities represent advanced payments received from customers for services that have not yet been performed to the customers. As at December 31, 2016, 2017 and 2018, the contract liabilities mainly included the advanced payments received from individual customers for hotel services to be rendered after the end of respective reporting period.

The Group elected the practical expedient for not to disclose the remaining performance obligations as the performance obligation is part of a contract that has an original expected duration of one year or less.

7 Other (losses)/gains, net

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net exchange gain/(loss)	6	(2)	(2)
(Loss)/gain on disposal of property, plant and equipment	(42)	(68)	10
Loss on disposal of intangible assets	(4)	—	—
	(40)	(70)	8

8 Expenses by nature

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Cost of inventories sold (Note 18)	7,838	10,143	15,839
Food and beverage costs	6,269	6,636	6,367
Employee benefit expenses (Note 9)	18,289	21,231	24,083
Utilities	4,971	5,626	6,004
Repairs and maintenance	1,039	1,298	883
Operating lease expenses (Note 28)	2,824	3,136	5,411
Depreciation on property, plant and equipment (Note 14)	5,481	5,255	5,855
Depreciation on investment properties (Note 15)	147	118	113
Amortization on intangible assets (Note 16)	23	104	135
Other taxes and licenses	4,031	4,413	4,928
Supplies and tools	2,850	3,127	3,192
Shared-services expenses	1,304	1,220	1,198
Laundry expenses	1,230	1,476	1,342
Temporary labour costs	1,865	1,534	689
Commission expenses	1,582	2,167	2,522
Insurance expenses	831	880	1,122
Bank charges	590	632	855
Donations	1,249	203	201
Provision for/(reversal of) impairment of trade receivables (Note 19)	102	263	(44)
Provision for obsolete inventory (Note 18)	53	24	29
Listing expenses	—	—	2,517
Other miscellaneous expenses	4,342	4,141	4,526
	66,910	73,627	87,767
Representing:			
Cost of inventories sold	7,838	10,143	15,839
Food and beverage costs	6,269	6,636	6,367
Employee benefit expenses	18,289	21,231	24,083
Utilities, repairs and maintenance	6,010	6,924	6,887
Operating lease expense	2,824	3,136	5,411
Operating and other expenses	25,680	25,557	29,180
	66,910	73,627	87,767

During the Track Record Period, certain staff costs, pension costs and insurance fee were charged by related parties (Note 31(b)).

9 Employee benefit expenses (including directors' emolument)

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Wages, salaries, bonuses and allowances	12,897	15,378	17,304
Pension cost — defined contribution scheme	76	92	121
Staff welfare and benefits	5,316	5,761	6,658
	18,289	21,231	24,083

(a) *Directors' emoluments*

The remuneration of individual director of the Operating Subsidiaries paid or payable by the Group for the Track Record Period are set out below:

	Salary	Discretionary bonuses	Allowances and other benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2016					
Executive director					
Dr. Tan Henry (Note)	—	—	—	—	—
Mrs. Su Tan Jennifer Sze Tink	—	—	—	—	—
Mr. Chiu George	—	—	—	—	—
Mr. Schweizer Jeffrey William	150	—	26	1	177
Non-executive director					
Dr. Tan Siu Lin	—	—	—	—	—
Mr. Tan Willie	—	—	—	—	—
	150	—	26	1	177

	Salary	Discretionary bonuses	Allowances and other benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2017					
Executive director					
Dr. Tan Henry (Note)	—	—	—	—	—
Mrs. Su Tan Jennifer Sze Tink	—	—	—	—	—
Mr. Chiu George	—	—	—	—	—
Mr. Schweizer Jeffrey William	150	—	27	5	182
Non-executive director					
Dr. Tan Siu Lin	—	—	—	—	—
Mr. Tan Willie	—	—	—	—	—
	150	—	27	5	182

	Salary	Discretionary bonuses	Allowances and other benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended December 31, 2018					
Executive director					
Dr. Tan Henry (Note)	—	—	—	—	—
Mrs. Su Tan Jennifer Sze Tink	—	—	—	—	—
Mr. Chiu George	—	—	—	—	—
Mr. Schweizer Jeffrey William.	150	—	10	5	165
Non-executive director					
Dr. Tan Siu Lin	—	—	—	—	—
Mr. Tan Willie	—	—	—	—	—
	150	—	10	5	165

Note: Dr. Tan Henry is the Group's chief executive officer.

The remuneration shown above represented remuneration received from the Group by these directors in their capacity as employees to the Operating Subsidiaries and no directors waived any emolument during each of the years ended December 31, 2016, 2017 and 2018.

Certain directors are not paid directly by the Operating Subsidiaries but receive remuneration from the Company's intermediate holding company, in respect of their services to the larger group which includes the Operating Subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Operating Subsidiaries are incidental to their responsibilities to the larger group.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Subsidiaries and no emoluments were paid by the Company or the Operating Subsidiaries to the directors as an inducement to join the Company or the Operating Subsidiaries, or as compensation for loss of office during each of the years ended December 31, 2016, 2017 and 2018.

Dr. Tan Siu Lin and Mr. Tan Willie were appointed as the Company's non-executive directors on November 5, 2018. Prof. Chan Pak Woon David, Mr. Ma, Andrew Chiu Cheung and Mr. Chan Leung Choi Albert were appointed as the Company's independent non-executive directors on April 9, 2019. During the Track Record Period, the non-executive directors and independent non-executive directors have not yet been appointed and did not receive any remuneration.

(b) ***Directors' retirement benefits and termination benefits***

None of the directors received any other retirement benefits or termination benefits during the Track Record Period.

(c) ***Consideration provided to third parties for making available directors' services***

During the Track Record Period, no consideration was provided to or receivable by third parties for making available directors' services.

(d) ***Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors***

Save as disclosed in Note 31(d), there were no loans, quasi-loan and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors as at December 31, 2016, 2017 and 2018.

(e) ***Directors' material interests in transactions, arrangements or contracts***

Save as disclosed in Note 31(b), no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

(f) ***Five highest paid individuals***

For each of the years ended December 31, 2016, 2017 and 2018, the five individuals whose emoluments were the highest in the Group include the 1, 1 and 1 director, whose emoluments were reflected in Note 9(a). The emoluments paid to the remaining 4, 4 and 4 individuals, respectively, are as follows:

	Year ended December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Salaries, wages, bonus and other allowances and benefits in kind	803	843	872
Pension costs — defined contribution plans	11	14	11
	814	857	883

The emoluments fell within the following bands:

	No. of individuals		
	Year ended December 31		
	2016	**2017**	**2018**
Emolument bands (in HK dollar)			
HK$1,000,001 — HK$1,500,000 (equivalent to US$127,389 to US$191,083)	3	3	3
HK$2,500,001 — HK$3,000,000 (equivalent to US$318,471 to US$382,166)	1	1	1

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the Track Record Period.

10 Finance costs, net

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Finance costs:			
- Interest expense on borrowings	(62)	(45)	(11)
Finance income:			
- Interest income on loan to the intermediate holding company (Note)	—	45	11
Finance costs, net	(62)	—	—

Note:

For the years ended December 31, 2017 and 2018, the Group had bank borrowings of US$5,000,000 carrying interest rate of 2.75% per annum. The proceed from the bank borrowings was loaned to the intermediate holding company carrying the same interest rate per annum, and earned interest income accordingly.

11 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Current tax			
The United States corporate income tax	1,788	2,090	563
Deferred tax (Note 27)			
Origination and reversal of temporary differences	(31)	(64)	87
Impact of change in the United States tax rate (Note (d))	—	575	—
	(31)	511	87
	1,757	2,601	650

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Profit before income tax	14,226	15,733	12,419
Tax calculated at the applicable domestic tax rates	4,936	5,483	2,705
Tax effects of:			
Income not subject to tax	(26)	(16)	(25)
Expenses not deductible for tax purpose	986	1,105	1,009
Income tax credits arising from business gross receipt tax payments ("BGRT") (Note (a))	(2,289)	(2,608)	(2,684)
Income tax rebates (Note (b))	(1,810)	(1,637)	(383)
Tax losses for which no deferred tax asset was recognized	61	1	28
Utilization of previously unrecognized tax losses	(101)	(302)	—
Re-measurement of deferred tax impact of change in United States tax rate (Note (d))	—	575	—
Income tax expense	1,757	2,601	650

Notes:

(a) **Income tax credits arising from business gross receipt tax payments**

The CNMI imposes progressive (1.5% to 5%) BGRT. Companies incorporated and operating in the CNMI are entitled to use these business gross receipt tax payments as tax credits in deriving the corporate income tax during the Track Record Period.

(b) **Income tax rebates**

Asia Pacific Hotels, Inc. (Guam) signed a Qualifying Certificate for Tourist Class Hotel with the Government of Guam. The certificate entitled Asia Pacific Hotels, Inc. (Guam) a rebate of 75% of all income taxes paid for a period of 10 years commencing on May 16, 2007 on income received from operation of a tourist class hotel. There is no renewal after the expiration in May 2017.

The CNMI legislation provides for income tax rebates with descending progressive percentages ranging from 90% to 50% on taxable income, after taking into account the utilization of the tax credit mentioned in Note (a) above sourced in the CNMI.

(c) **Deemed capital contribution from Tan Holdings**

During the Track Record Period, the CNMI entities comprising the Group which were indirectly held by Tan Holdings, before the Reorganization were allowed to file the tax return on a consolidated basis with Tan Holdings and its other subsidiaries incorporated in the CNMI.

In the consolidated tax returns filed by Tan Holdings during the Track Record Period, the tax losses of the Tan Holdings' subsidiaries not comprising the Group has been utilized to set-off the taxable income of the CNMI entities comprising the Group. The amounts of utilization of the tax losses of the Tan Holdings' subsidiaries not comprising the Group were regarded as deemed contribution from Tan Holdings and recognized in "Other reserve" in the consolidated statements of changes in equity.

After the Reorganization, the existing tax filing arrangement (i.e. on a consolidated basis with Tan Holdings) of the CNMI entities comprising the Group is terminated and the tax return will be filed on a consolidated basis for these CNMI entities by S.A.I. CNMI Tourism Inc.

(d) For the year ended December 31, 2017, as a result of the change in the corporate tax rate of United States from progressive tax rate ranging from 15% to 39%, to 21% that was substantively enacted on December 22, 2017 and effective from January 1, 2018, the relevant deferred tax balances have been re-measured.

The weighted average applicable domestic tax rate was 35%, 35% and 22% for each of the years ended December 31, 2016, 2017 and 2018, respectively.

12 Dividends

No dividend has been paid or declared by the Company for the Track Record Period.

Dividends during the each of the years ended December 31, 2016, 2017 and 2018 represented dividends declared by Asia Pacific Hotels, Inc., an operating subsidiary of the Company prior to the Reorganization. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Dividends	7,500	19,000	7,600

The dividends related to the years ended December 31, 2016, 2017 and 2018 of US$7,500,000, US$19,000,000 and US$7,600,000 respectively were settled through current account with the intermediate holding company.

13 Earnings per share

(a) *Basic*

The basic earnings per share is calculated by dividing the profit attributable to owner of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 1 share of the Company in connection with the Reorganization completed on November 16, 2018 deemed to have been in issue since January 1, 2016.

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Profit attributable to owner of the Company	12,405	12,982	11,694
Weighted average number of share in issue	1	1	1
Basic earnings per share	12,405	12,982	11,694

As disclosed in Note 34, subject to the share premium account of the Company being credited as a result of the issue of the offer shares under the Global Offering, the directors are authorized to allot and issue a total of 269,999,999 shares credited as fully paid at par to THC Leisure Holdings Limited by way of capitalization of HK$2,699,999.99 standing to the credit of the share premium account of the Company. For the purpose of this report, the Capitalization Issue is not considered in calculation of earnings per share.

(b) ***Diluted***

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at December 31, 2016, 2017 and 2018.

14 Property, plant and equipment

	Buildings	Renovation and leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at January 1, 2016							
Cost	48,097	18,111	9,487	6,877	664	204	83,440
Accumulated depreciation	(22,256)	(8,955)	(6,187)	(5,113)	(292)	—	(42,803)
Net book amount	25,841	9,156	3,300	1,764	372	204	40,637
Year ended December 31, 2016							
Opening net book amount	25,841	9,156	3,300	1,764	372	204	40,637
Additions	535	1,532	269	1,536	181	783	4,836
Disposals	—	(8)	(77)	(74)	—	—	(159)
Transfer	—	204	—	—	—	(204)	—
Depreciation charges (Note 8)	(2,046)	(1,700)	(721)	(896)	(118)	—	(5,481)
Closing net book amount	24,330	9,184	2,771	2,330	435	783	39,833
As at December 31, 2016							
Cost	48,632	19,835	9,668	8,118	828	783	87,864
Accumulated depreciation	(24,302)	(10,651)	(6,897)	(5,788)	(393)	—	(48,031)
Net book amount	24,330	9,184	2,771	2,330	435	783	39,833
Year ended December 31, 2017							
Opening net book amount	24,330	9,184	2,771	2,330	435	783	39,833
Additions	6	3,478	983	756	545	718	6,486
Disposals	—	(69)	(1)	(6)	(287)	—	(363)
Transfer	—	783	—	—	—	(783)	—
Depreciation charges (Note 8)	(1,159)	(2,179)	(798)	(1,022)	(97)	—	(5,255)
Closing net book amount	23,177	11,197	2,955	2,058	596	718	40,701
As at December 31, 2017							
Cost	48,593	23,985	8,263	8,066	917	718	90,542
Accumulated depreciation	(25,416)	(12,788)	(5,308)	(6,008)	(321)	—	(49,841)
Net book amount	23,177	11,197	2,955	2,058	596	718	40,701
Year ended December 31, 2018							
Opening net book amount	23,177	11,197	2,955	2,058	596	718	40,701
Additions	—	539	354	422	172	1,887	3,374
Disposals	—	—	—	(2)	(16)	—	(18)
Transfer	—	1,098	729	2	—	(1,829)	—
Depreciation charges (Note 8)	(1,052)	(2,807)	(863)	(982)	(151)	—	(5,855)
Closing net book amount	22,125	10,027	3,175	1,498	601	776	38,202
As at December 31, 2018							
Cost	48,593	25,622	9,323	8,455	971	776	93,740
Accumulated depreciation	(26,468)	(15,595)	(6,148)	(6,957)	(370)	—	(55,538)
Net book amount	22,125	10,027	3,175	1,498	601	776	38,202

Depreciation has been charged to "Operating and other expenses" for each of the years ended December 31, 2016, 2017 and 2018.

As at December 31, 2016, 2017 and 2018, certain buildings of the Group of US$22,356,000, US$21,457,000 and US$20,657,000, respectively have been pledged as security for the banking facilities (Note 26).

15 Investment properties

	US$'000
As at January 1, 2016	
Cost	4,257
Accumulated depreciation	(1,322)
Net book amount	2,935
Year ended December 31, 2016	
Opening net book amount	2,935
Additions	65
Depreciation charge (Note 8)	(147)
Closing net book amount	2,853
As at December 31, 2016	
Cost	4,322
Accumulated depreciation	(1,469)
Net book amount	2,853
Year ended December 31, 2017	
Opening net book amount	2,853
Depreciation charge (Note 8)	(118)
Closing net book amount	2,735
As at December 31, 2017	
Cost	4,322
Accumulated depreciation	(1,587)
Net book amount	2,735
Year ended December 31, 2018	
Opening net book amount	2,735
Depreciation charge (Note 8)	(113)
Closing net book amount	2,622
As at December 31, 2018	
Cost	4,322
Accumulated depreciation	(1,700)
Net book amount	2,622

As at December 31, 2016, 2017 and 2018, the fair values of the investment properties of the Group were US$7,068,000, US$7,068,000 and US$7,068,000 respectively. As at December 31, 2016 and 2017, the fair values of the investment properties were assessed by management whereas as at December 31, 2018, the fair values of the investment properties were determined by an independent professional valuation firm, Savills Valuation and Professional Services (S) Pte Ltd.

As at December 31, 2016, 2017 and 2018, certain investment properties of the Group of US$2,729,000, US$2,627,000 and US$2,529,000, respectively have been pledged as security for the banking facilities (Note 26).

The investment properties are situated in Saipan and Guam.

Depreciation has been charged to "Operating and other expenses" for each of the years ended December 31, 2016, 2017 and 2018.

16 Intangible assets

	Computer software
	US$'000
As at January 1, 2016	
Cost	132
Accumulated amortization	(73)
Net book amount	59
Year ended December 31, 2016	
Opening net book amount	59
Additions	88
Disposals	(4)
Amortization charge (Note 8)	(23)
Closing net book amount	120
As at December 31, 2016	
Cost	216
Accumulated amortization	(96)
Net book amount	120
Year ended December 31, 2017	
Opening net book amount	120
Additions	541
Amortization charge (Note 8)	(104)
Closing net book amount	557
As at December 31, 2017	
Cost	757
Accumulated amortization	(200)
Net book amount	557
Year ended December 31, 2018	
Opening net book amount	557
Amortization charge (Note 8)	(135)
Closing net book amount	422
As at December 31, 2018	
Cost	757
Accumulated amortization	(335)
Net book amount	422

Amortization has been charged to "Operating and other expenses" for each of the years ended December 31, 2016, 2017 and 2018.

17 Financial instruments by category

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Assets per consolidated statements of financial position:			
Financial assets carried at amortized cost			
- Trade receivables	4,795	3,978	4,138
- Deposits and other receivables	464	495	662
- Amount due from the intermediate holding company	100	2,642	453
- Amounts due from related parties	2,180	3,488	7,633
- Cash and cash equivalents	4,897	6,873	4,792
	12,436	17,476	17,678
Liabilities per consolidated statements of financial position:			
Financial liabilities at amortized cost			
- Trade and other payables	6,089	6,764	7,028
- Amounts due to related parties	2,185	8,268	10,686
- Borrowings	—	5,000	—
	8,274	20,032	17,714

18 Inventories

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Merchandises	3,369	6,218	8,944

Inventories recognized as an expense for each of the years ended December 31, 2016, 2017 and 2018 amounted to US$7,838,000, US$10,143,000 and US$15,839,000 respectively and included in "Cost of inventories sold" in the consolidated statements of comprehensive income.

Provision for obsolete inventory for each of the years ended December 31, 2016, 2017 and 2018 amounted to US$53,000, US$24,000 and US$29,000 respectively. These were in "Operating and other expenses" in the consolidated statements of comprehensive income.

19 Trade receivables

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Trade receivables from third parties (Note (a))	4,018	3,557	3,196
Less: provision for impairment (Note (a))	(202)	(266)	(186)
	3,816	3,291	3,010
Amounts due from related parties (Note (b))	979	687	1,128
Total trade receivables, net	4,795	3,978	4,138

Notes:

(a) **Trade receivables from third parties**

The majority of the Group's sales are with credit terms of 30 days from the invoice date. As at December 31, 2016, 2017 and 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	3,250	3,166	2,471
31 to 60 days	458	248	451
61 to 90 days	176	33	90
Over 90 days	134	110	184
	4,018	3,557	3,196

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As at December 31, 2016, 2017 and 2018, provisions of US$202,000, US$266,000 and US$186,000 were made against the gross amounts of trade receivables.

As at December 31, 2016, 2017 and 2018, approximately 20%, 16% and 25% of the Group's trade receivables were due from the largest customer.

Movements on the provision for impairment of trade receivables are as follows:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
At beginning of the year	560	202	266
Provision for/(reversal of) impairment (Note 8)	102	263	(44)
Trade receivables written off during the year as uncollectible	(460)	(199)	(36)
At end of the year	202	266	186

(b) **Amounts due from related parties**

As at December 31, 2016, 2017 and 2018, the amounts due from related parties are unsecured, interest-free and with credit terms of 30 days.

The ageing analysis of amounts due from related parties based on invoice date were as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	975	168	97
31 to 60 days	—	519	991
61 to 90 days	4	—	21
Over 90 days	—	—	19
	979	687	1,128

The maximum exposure to credit risk as at December 31, 2016, 2017 and 2018 was the carrying value mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values and are denominated in US$.

20 Deposits, prepayments and other receivables

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Deposits	459	473	650
Prepayment of listing expenses	—	—	9
Deferred listing expenses	—	—	219
Prepayments	3,168	1,749	3,076
Other receivables	5	22	12
	3,632	2,244	3,966
Less: non-current portion			
Rental and utility deposits	(451)	(466)	(638)
Prepaid rent	(211)	(190)	(296)
Prepayments for property, plant and equipment and intangible assets	(500)	(50)	(98)
	(1,162)	(706)	(1,032)
Current portion	2,470	1,538	2,934

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. The Group does not hold collateral as security.

The carrying amounts of deposits and other receivables approximate their fair values and are denominated in US$.

21 Cash and cash equivalents

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Cash at banks	4,627	6,580	4,553
Cash on hand	270	293	239
	4,897	6,873	4,792
Maximum exposure to credit risk	4,627	6,580	4,553

Cash and cash equivalents are denominated in US$.

22 Share capital

	Number of shares of HK$0.01 each	US$'000
Authorised:		
At October 18, 2018 (date of incorporation of the Company) and December 31, 2018	38,000,000	49
Issued and fully paid:		
At October 18, 2018 (date of incorporation of the Company) and December 31, 2018	1	—

23 Reserve

The Group

Capital reserve

Capital reserve of US$27,006,000 represents the contribution from the immediate holding company with respect to the consideration for the acquisition of subsidiaries pursuant to the Reorganization.

The Company

Accumulated losses

	Accumulated losses
	US$'000
At October 18, 2018 (date of incorporation)	—
Loss and total comprehensive loss for the period	(2,216)
At December 31, 2018	(2,216)

Capital reserve

Capital reserve of the Company represented the difference between the net assets value of the subsidiaries acquired and the consideration settled by issuance of the shares of the immediate holding company pursuant to the Reorganization.

24 Non-controlling interests

As at December 31, 2016, 2017 and 2018, the Group's non-controlling interests ("NCI") amounting to approximately US$1,384,000, US$1,534,000 and US$1,609,000, respectively, are arising from Gemkell Corporation and Gemkell (Saipan) Corporation, which are the Group's 75% owned subsidiaries.

Summarized financial information of the subsidiaries with material non-controlling interest

Set out below are the summarized financial information of Gemkell Corporation and Gemkell (Saipan) Corporation, which have non-controlling interests that are material to the Group.

(a) ***Gemkell Corporation***

Summarized statements of financial position of Gemkell Corporation:

	As at December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Current			
Assets	6,379	6,420	8,283
Liabilities	(2,221)	(2,503)	(4,202)
Net current assets	4,158	3,917	4,081
Non-current			
Assets	1,983	2,639	2,738
Liabilities	(569)	(472)	(460)
Net non-current assets	1,414	2,167	2,278
Net assets	5,572	6,084	6,359
Accumulated NCI	1,393	1,521	1,590

Summarized statements of comprehensive income of Gemkell Corporation:

	Year ended December 31		
	2016	2017	2018
	US$'000	US$'000	US$'000
Revenue	13,633	13,481	21,235
Total comprehensive income for the year	392	512	275
Total comprehensive income for the year attributable to NCI	98	128	69

Summarized statements of cash flows of Gemkell Corporation:

	Year ended December 31		
	2016	2017	2018
	US$'000	US$'000	US$'000
Net cash generated from operating activities	197	1,900	152
Net cash used in investing activities	(320)	(1,186)	(1,902)
Net (decrease)/increase in cash and cash equivalents	(123)	714	(1,750)

(b) ***Gemkell (Saipan) Corporation***

Summarized statements of financial position of Gemkell (Saipan) Corporation:

	As at December 31		
	2016	2017	2018
	US$'000	US$'000	US$'000
Current			
Assets	1,159	4,520	4,360
Liabilities	(1,384)	(6,803)	(6,087)
Net current liabilities	(225)	(2,283)	(1,727)
Non-current assets	188	2,336	1,805
Net (liabilities)/assets	(37)	53	78
Accumulated NCI	(9)	13	19

Summarized statements of comprehensive income of Gemkell (Saipan) Corporation:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Revenue	240	4,007	7,744
Total comprehensive (loss)/income for the year	(137)	90	25
Total comprehensive (loss)/income for the year attributable to NCI	(34)	22	6

Summarized statements of cash flows of Gemkell (Saipan) Corporation:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net cash generated from/(used in) operating activities	151	3,567	(436)
Net cash used in investing activities	(177)	(2,427)	(31)
Net cash generated from financing activities	100	—	—
Net increase/(decrease) in cash and cash equivalents	74	1,140	(467)

25 Trade and other payables

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Trade payables			
- to third parties (Note (a))	2,564	2,949	2,930
- to related parties (Note (b))	68	68	88
Total trade payables	2,632	3,017	3,018
Accruals and other payables			
- Accrued staff salaries	391	528	582
- Other taxes payable	1,172	1,251	1,057
- Accruals for listing expenses	—	—	432
- Other accruals and payables	3,394	3,603	3,302
- Rental deposits received from customers	63	144	276
	5,020	5,526	5,649
	7,652	8,543	8,667

Notes:

(a) ***Trade payables to third parties***

The ageing analysis of the trade payables to third parties based on invoice date were as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	2,122	2,224	2,410
31 to 60 days	335	605	394
61 to 90 days	29	56	56
Over 90 days	78	64	70
	2,564	2,949	2,930

(b) ***Amounts due to related parties***

As at December 31, 2016, 2017 and 2018, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

The ageing analysis of amounts due to related parties based on invoice date were as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 30 days	68	46	54
31 to 60 days	—	22	34
	68	68	88

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
US$	7,652	8,543	8,382
HK$	—	—	285
	7,652	8,543	8,667

26 Borrowings

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Short-term bank borrowings	—	5,000	—

Borrowings due for repayment after one year which contain a repayment on demand clause are classified as current liabilities.

Bank borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on demand clause are as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Within 1 year	—	5,000	—

The weighted average interest rates per annum during the Track Record Period were as follows:

	As at December 31		
	2016	2017	2018
Bank borrowings	—	2.75%	—

The carrying amounts of the Group's borrowings approximate their fair value and are denominated in US$.

As at December 31, 2016, 2017 and 2018, the Group had aggregate banking facilities of US$11,007,000, US$11,007,000 and US$11,007,000 respectively. Unutilized facilities at the end of each reporting period amounted to US$11,007,000, US$6,007,000 and US$11,007,000, respectively. The Group's banking facilities are subject to annual review and secured and guaranteed by:

(i) certain buildings and investment properties owned by the Group as at December 31, 2016, 2017 and 2018 (Notes 14 and 15);

(ii) corporate guarantee provided by Tan Holdings Corporation, the intermediate holding company, as at December 31, 2016, 2017 and 2018;

(iii) personal guarantee by Dr. Tan Henry, a Controlling Shareholder, as at December 31, 2016, 2017 and 2018.

All guarantees from the Controlling Shareholder and the intermediate holding company are expected to be released before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

27 Deferred income tax assets/(liabilities)

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Deferred income tax assets	2,493	1,758	1,748
Deferred income tax liabilities	(1,103)	(879)	(956)

The movements of deferred income tax assets for each of the years ended December 31, 2016, 2017 and 2018 are as follows:

	Deferred tax on the impairment loss of trade receivables	Decelerated tax depreciation	Total
	US$'000	*US$'000*	*US$'000*
As at January 1, 2016	89	2,346	2,435
(Charged)/credited to the consolidated statements of comprehensive income	(58)	116	58
As at December 31, 2016	31	2,462	2,493
Credited to the consolidated statements of comprehensive income	9	253	262
Re-measurement of deferred tax impact of change in United States tax rate	(13)	(984)	(997)
As at December 31, 2017	27	1,731	1,758
Charged to the consolidated statements of comprehensive income	(8)	(2)	(10)
As at December 31, 2018	19	1,729	1,748

The movements of deferred income tax liabilities for each of the years ended December 31, 2016, 2017 and 2018 are as follows:

	Accelerated tax depreciation
	US$'000
As at January 1, 2016	(1,076)
Charged to the consolidated statements of comprehensive income	(27)
As at December 31, 2016	(1,103)
Charged to the consolidated statements of comprehensive income	(198)
Re-measurement of deferred tax impact of change in United States tax rate	422
As at December 31, 2017	(879)
Charged to the consolidated statements of comprehensive income	(77)
As at December 31, 2018	(956)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of US$404,000, US$60,000 and US$88,000 in respect of losses amounting to US$1,169,000, US$287,000 and US$422,000 at December 31, 2016, 2017 and 2018 that can be carried forward against future taxable income for 20 years due to the degree of uncertainty related to the ultimate realization of the tax losses.

Deferred income tax liabilities of US$7,707,000, US$5,744,000 and US$7,638,000 have not been recognized for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries at December 31, 2016, 2017 and 2018, respectively. Such amounts are considered by the directors to be permanently reinvested.

28 Commitments

(a) *Operating lease commitments — the Group as lessee*

The Group leases various land, retail stores, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 60 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The lease terms of land for hotel operations are as follows and are renewable at the end of the lease period.

Land leases underlying the hotels and resorts	Lease period
Fiesta Resort Saipan	July 1, 1971 to June 30, 2021
Kanoa Resort	July 1, 1974 to June 30, 2024
Century Hotel	July 11, 1987 to July 10, 2042
Fiesta Resort Guam	October 1, 1993 to September 30, 2053

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
No later than 1 year	1,073	2,314	2,811
Later than 1 year and no later than 5 years	3,099	5,707	7,239
Later than 5 years	20,303	20,254	19,491
	24,475	28,275	29,541

Not included in the above commitments are contingent rental payables which is based on certain percentages of revenue from hotel and retails operations.

Rental expense relating to operating leases is as follows:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Minimum lease payments	1,971	2,386	4,017
Contingent rentals	853	750	1,394
	2,824	3,136	5,411

(b) ***Operating leases rental receivables — the Group as lessor***

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
No later than 1 year	534	616	515
Later than 1 year and no later than 5 years	758	730	471
	1,292	1,346	986

(c) ***Capital commitments***

Significant capital expenditure contracted for at the end of each reporting period but not recognized as liabilities is as follows:

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Property, plant and equipment	—	—	308

29 Notes to the consolidated statements of cash flows

(a) *Net cash generated from operations*

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Profit before income tax	14,226	15,733	12,419
Adjustments for:			
Depreciation of property, plant and equipment	5,481	5,255	5,855
Depreciation of investment properties	147	118	113
Amortization of intangible assets	23	104	135
Provision for/(reversal of) impairment of trade receivables	102	263	(44)
Provision for obsolete inventory	53	24	29
Loss/(gain) on disposal of property, plant and equipment	42	68	(10)
Loss on disposal of intangible assets	4	—	—
Interest income	—	(45)	(11)
Interest expense	62	45	11
Operating profit before changes in working capital	20,140	21,565	18,497
Changes in working capital:			
Increase in inventories	(662)	(2,873)	(1,614)
(Increase)/decrease in trade receivables	(491)	554	(116)
(Increase)/decrease in deposits, prepayments and other receivables	(1,193)	938	(1,007)
Increase in trade and other payables	1,811	1,151	685
Increase in contract liabilities	21	212	32
Increase in amounts due from the intermediate holding company	—	(16,542)	(10,411)
Increase in amounts due from related parties	(1,528)	(1,308)	(4,145)
Decrease in amounts due to the intermediate holding company	(9,650)	—	—
Increase in amounts due to related parties	838	6,083	2,418
Net cash generated from operations	9,286	9,780	4,339

(b) *Proceeds from disposal of property, plant and equipment*

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net book amount (Note 14)	159	363	18
(Loss)/gain on disposal of property, plant and equipment	(42)	(68)	10
Proceeds from disposal of property, plant and equipment	117	295	28

(c) ***Proceeds from disposal of intangible assets***

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Net book amount (Note 16)	4	—	—
Loss on disposal of intangible assets	(4)	—	—
Proceeds from disposal of intangible assets	—	—	—

(d) ***Significant non-cash transactions***

(i) For the years ended December 31, 2016, 2017 and 2018, dividend of US$7,500,000, US$19,000,000 and US$7,600,000 respectively were settled through current account with the intermediate holding company as disclosed in Note 12.

(ii) For the year ended December 31, 2016, the capital injection of US$300,000 by Tan Holdings Corporation, the intermediate holding company to Let's Go Tour Company was by transferring the ownership interest in Sea-Touch to Let's Go Tour Company.

(e) ***Cash flow information — financing activities***

The movements of liabilities from financing activities for each of the years ended December 31, 2016, 2017 and 2018:

	Bank borrowings and interest payables
	US$'000
At January 1, 2016	2,500
Non cash - interest cost	62
Cash flow	(2,562)
At December 31, 2016	—
At January 1, 2017	—
Non cash - interest cost	45
Cash flow	4,955
At December 31, 2017	5,000
At January 1, 2018	5,000
Non cash - interest cost	11
Cash flow	(5,011)
At December 31, 2018	—

30 Business combination

In April 2018, the Group completed the acquisition of retail operation of an American sportswear brand in Hawaii from its brand owner at a consideration of approximately US$1,588,000, for strategic development of luxury retail brand portfolio.

The following table summarizes the consideration, the value of assets acquired, liabilities assumed at the acquisition date:

	US$'000
Cash consideration	1,588
Recognized amounts of fair value of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2
Inventories	1,141
Deposits and prepayment	448
Accruals and other payables	(3)
Total identifiable net assets	1,588
	—
Net cash outflow arising from the acquisitions	
Cash consideration	1,588
Less:	
- Cash and cash equivalents acquired	(2)
	1,586

The acquired business contributed revenue of US$5,483,000 and net loss of US$16,000 to the Group for the period from April 1, 2018 to December 31, 2018.

If the acquisition had occurred on January 1, 2018, consolidated pro-forma revenue and loss for the year ended December 31, 2018 would have been US$6,966,000 and US$215,000 respectively.

31 Related party transactions

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The Controlling Shareholders of the Company are disclosed in Note 1.1.

During the Track Record Period, the Group had the following significant transactions with the intermediate holding company, fellow subsidiaries and related parties. Related companies include companies which are beneficially owned or controlled by the Controlling Shareholders of the Company, individually, jointly or collectively, or together with their close family members.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name of the related parties	Relationship with the Group
Dr. Tan Siu Lin	Controlling shareholder of the Group
Dr. Tan Henry	Controlling shareholder of the Group
Tan Holdings Corporation	Intermediate holding company
Aero Micronesia, Inc.	A fellow subsidiary
Beach Road Tourism Development, Inc.	A fellow subsidiary
D&Q Co. Ltd.	A fellow subsidiary
L&T (Guam) Corporation	A fellow subsidiary
L&T Group of Companies Ltd.	A fellow subsidiary
Pacific Oriental Inc.	A fellow subsidiary
Saipan Tribute Inc.	A fellow subsidiary
Tango Incorporated	A fellow subsidiary
Unity Development Corporation	A fellow subsidiary
Century Travel Agency, Inc.	A fellow subsidiary
Centours International Travel Co., Ltd.	Controlled by close family member of the Controlling shareholder
Century Finance Co., Ltd.	Controlled by the Controlling shareholder
Century Insurance Company (Guam) Ltd.	Controlled by the Controlling shareholder
Century Insurance Co. Ltd.	Controlled by the Controlling shareholder
Cosmos Distributing Co. Ltd.	Controlled by the Controlling shareholder
Cosmos Distributing Co. (Saipan) Ltd.	Controlled by the Controlling shareholder

Name of the related parties	Relationship with the Group
CTSI Holdings Limited and its subsidiaries (collectively, the "CTSI" Group) • CTSI FSM • Consolidated Transportation Services, Inc. (Guam) • CTSI Logistics Ltd. • Consolidated Transportation Services, Inc. • CTSI USA • CTSI Philippines	Controlled by the Controlling shareholder
Integrated Solutions Technology Limited	Controlled by the Controlling shareholder
Luen Thai Enterprises Limited	Controlled by the Controlling shareholder
Luen Thai Far East Company Limited	Controlled by the Controlling shareholder
Luen Thai Fishing Venture Limited	Controlled by the Controlling shareholder
Strategic Gaming Solutions, Inc.	Controlled by the Controlling shareholder
TakeCare Insurance Company, Inc.	Controlled by the Controlling shareholder
Saipan Shrimp & Broodstock Co. Ltd.	Controlled by the Controlling shareholder
Blue Bay Petroleum (Guam) Inc.	Controlled by the Controlling shareholder
Skechers Outlet Guam	Controlled by the Controlling shareholder
Tan Siu Lin Foundation Limited	Controlled by Dr. Tan Siu Lin
Luen Thai International Development Limited	Controlled by Dr. Tan Siu Lin
Luen Thai International Group Ltd.	Common directors

(b) ***Significant transactions with related parties:***

Save as disclosed elsewhere in this report, during the Track Record Period, the following significant transactions were carried out with related parties:

	Year ended December 31		
	2016	**2017**	**2018**
	US$'000	*US$'000*	*US$'000*
Rental income and expenses recharged			
Strategic Gaming Solution, Inc.	268	267	285
Hotel service income			
Centours International Travel Co., Ltd.	11,574	10,032	11,467
Freight forwarding and logistics service			
The CTSI Group	552	821	714
Shared-services expenses			
L&T Group of Companies Ltd.	548	596	616
The CTSI Group	132	132	132
Luen Thai Enterprises Limited	624	492	450
	1,304	1,220	1,198
Staff cost recharged			
L&T Group of Companies Ltd.	567	627	494
Purchase of merchandises			
D&Q Co. Ltd.	118	323	542
Cosmos Distributing Co. (Saipan) Ltd.	471	250	—
Cosmos Distributing Co. Ltd..	253	252	304
	842	825	846
Insurance fee			
TakeCare Insurance Company, Inc.	1,501	1,805	1,912
L&T Group of Companies Ltd.	277	288	288
	1,778	2,093	2,200
Rental expenses and expenses charged			
Beach Road Tourism Development, Inc.	—	269	750
L&T Group of Companies Ltd.	—	1	16
	—	270	766
Donation			
Tan Siu Lin Foundation Limited	934	—	—

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

Except for donation, these related parties transactions will continue after the Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(c) ***Key management compensation***

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employees' services is shown below:

	Year ended December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Wage, salaries, bonuses and other allowances and benefits in kind	516	520	534
Pension costs — defined contribution plan	1	5	5
	517	525	539

(d) ***Amounts due from/(to) the intermediate holding company and related parties***

The Group

	As at December 31		
	2016	2017	2018
	US$'000	*US$'000*	*US$'000*
Non-trade receivables from			
Intermediate holding company			
- Denominated in US$	100	2,642	453
Related parties			
- Denominated in US$	2,180	3,488	7,633
	2,280	6,130	8,086
Trade receivables from			
Related parties			
- Denominated in US$	979	687	1,128
Non-trade payables to			
Related parties			
- Denominated in US$	(2,185)	(8,268)	(8,524)
- Denominated in HK$	—	—	(2,162)
	(2,185)	(8,268)	(10,686)
Trade payables to			
Related parties			
- Denominated in US$	(68)	(68)	(88)

As at December 31, 2016, 2017 and 2018, trade receivables/trade payables balances from/to related parties were unsecured, interest-free and with credit terms of 30 days and approximate their fair values.

As at December 31, 2016, 2017 and 2018, non-trade receivables/non-trade payables balances from/to the intermediate holding company and related parties were unsecured, interest-free and repayable on demand, except for an amount due from the intermediate holding company of US$5,000,000 as at December 31, 2017 was interest-bearing of 2.75% per annum (Note 10), and approximated their fair values.

All non-trade nature of balances due from/(to) the intermediate holding company and related parties as at December 31, 2018 are expected to be fully settled before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company

	As at December 31 2018
	US$'000
Non-trade receivable from	
A subsidiary	
- Denominated in US$	150
Non-trade payable to	
A related party	
- Denominated in HK$	(2,162)

As at December 31, 2018, non-trade receivable/non-trade payable from/to a subsidiary and a related party were unsecured, interest-free and repayable on demand.

The non-trade payable balance to a related party as at December 31, 2018 is expected to be fully settled before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(e) ***Guarantee by related parties***

Banking facilities available to the Group were guaranteed by Tan Holdings Corporation and Dr. Tan Henry as at December 31, 2016, 2017 and 2018 as disclosed in Note 26.

Guarantees from the intermediate holding company and the Controlling Shareholder are expected to be released before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

32 Financial guarantee

As at December 31, 2016, 2017 and 2018, the Group provide corporate guarantee of US$11,200,000 to the intermediate holding company on the banking facilities granted to it. The fair value of the financial guarantee is considered as insignificant. As at the date of this report, the management is of the view that no provision is considered necessary.

The financial guarantee is expected to be released before Listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

33 Contingent liabilities

As at December 31, 2016, 2017 and 2018, the Group did not have any significant contingent liabilities.

34 Events after the reporting period

Save as disclosed in the report, the following significant events took place subsequent to December 31, 2018.

Capitalization Issue

Pursuant to the resolutions of the sole shareholder passed on April 9, 2019, subject to the share premium account of the Company being credited as a result of the issue of the offer shares under the Global Offering, the directors are authorized to allot and issue a total of 269,999,999 shares credited as fully paid at par to THC Leisure Holdings Limited by way of capitalization of HK$2,699,999.99 standing to the credit of the share premium account of the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to December 31, 2018 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to December 31, 2018.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owner of the Company as of December 31, 2018 as if the Global Offering had taken place on December 31, 2018.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at December 31, 2018 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owner of the Company as at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owner of the Company as at December 31, 2018	Unaudited pro forma adjusted net tangible assets per Share	
	US$'000	*US$'000*	*US$'000*	*US$*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$3.54 per Share	53,094	37,258	90,352	0.25	1.96
Based on an Offer Price of HK$4.48 per Share	53,094	47,659	100,753	0.28	2.20

Notes:

(1) The audited consolidated net tangible assets attributable to owner of the Company as at December 31, 2018 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owner of the Company as at December 31, 2018 of approximately US$53,516,000 adjusted for intangible assets of approximately US$422,000.

(2) The estimated net proceeds from the Global Offering are based on 90,000,000 Offer Shares and the indicative Offer Price of HK$3.54 per Share and HK$4.48 per Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding approximately US$2,517,000 which have been recognized in the consolidated statements of comprehensive income during the Track Record Period).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 360,000,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering has been completed on December 31, 2018 (assuming the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options or any Shares which may be alloted and issued or repurchased by our Company under the Issuing Mandate and Repurchase Mandate as described in "Share Capital" to the Prospectus).

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in United States dollars are converted into Hong Kong dollars at a rate of US$1 to HK$7.8489, as set out in "Definitions and Glossary" to the Prospectus. No representation is made that United States dollar amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2018.

(6) As at January 31, 2019, the Group's property interests was valued by Savills Valuation and Professional Services (S) Pte Ltd, an independent property valuer, and the full text of the valuation report with regards to the property interests are included in Appendix III to this prospectus. The excess of market value of the property interests as at January 31, 2019 over their book value as at December 31, 2018, was approximately US$89,553,000. Such difference has not been included in the Group's historical financial information as at December 31, 2018. The above adjustments do not take into account the above difference. Had the property interests been stated at such valuation, additional depreciation of US$4,035,000 per annum would be charged against the consolidated statements of comprehensive income.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of S.A.I. Leisure Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of S.A.I. Leisure Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at December 31, 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated April 30, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at December 31, 2018 as if the proposed initial public offering had taken place at December 31, 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended December 31, 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at December 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, April 30, 2019

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this Prospectus received from Savills Valuation and Professional Services (S) Pte Ltd, an independent valuer, in connection with their opinion of values as at 31 January 2019 of the properties of our Group.

savills

Savills Valuation And
Professional Services (S) Pte Ltd
Reg No.: 200402411G

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#20-03 Prudential Tower
Singapore 049712

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savills.com

The Directors
S.A.I. Leisure Group Company Limited
5th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

30 April 2019

Dear Sirs,

INSTRUCTIONS

In accordance with instructions from S.A.I. Leisure Group Company Limited (the "Company") for us to value the properties held by the Company and its subsidiaries (hereinafter referred to as the "Group") for owner operation in the Mariana Islands, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the properties as at 31 January 2019 ("Valuation Date") for incorporation in a public offering document.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercise is handled by Mr. Gregory Condon and Mr. Martin Fidden. Mr. Gregory Condon is a Director at Savills (Thailand) Limited and is the Head of Hotel Valuations, South East Asia and a member of the Royal Institution of Chartered Surveyors ("RICS") and an Associate of the Australian Property Institute ("A.A.P.I.") with over 15 years' experience in valuation of commercial properties and hotel/resort in Australia, United Kingdom, South East Asia and Pacific Islands. Mr. Martin Fidden is a Regional Director of Asia, Valuation & Advisory, Savills and has over 15 years' post-qualification experience in valuation of commercial and hotel properties in Asia Pacific. Both Mr. Gregory Condon and Mr. Martin Fidden have sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercise competently.

Prior to your instructions for us to provide this valuation services in respect of the properties, Savills Valuation and Professional Services (S) Pte Ltd ("SVPS"), Mr. Gregory Condon and Mr. Martin Fidden had not been involved in valuation of the properties in the last 12 months.

We are independent of S.A.I. Leisure Group Company Limited and its subsidiaries. We are not aware of any instance which would give rise to potential conflict of interest from SVPS or Mr. Gregory Condon or Mr. Martin Fidden in the subject exercise. We confirm SVPS, Mr. Gregory Condon and Mr. Martin Fidden are in the position to provide objective and unbiased valuation for the properties.

BASIS OF VALUATION AND VALUATION METHODOLOGY

Our valuation is prepared in compliance with the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited and is in accordance with the International Valuation Standards published by the International Valuation Standards Council and RICS Valuation — Global Standards published by The Royal Institution of Chartered Surveyors.

Our valuation of each property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Moreover, market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

The properties are held by the Group for owner operation. In valuing Property Nos.1 to 4, we have adopted the income approach via reference to the historical operational performance of these properties and prevailing market conditions. We have also had regard to comparable sales transactions as available in the relevant markets. We have valued Property Nos. 5 to 7 by the direct comparison approach assuming sales with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the market.

TITLE INVESTIGATION

We have been provided with copy of extracts of the leasehold agreement in relation to the properties. However, we have not searched the original documents to ascertain the existence of any amendments that may not appear on the copies handed to us. We have relied to a considerable extent on the information given by the Company and its advisors regarding the title and other legal matters pertaining to the properties.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on matters such as planning approvals, statutory notices, easements, tenure, particulars of occupancy, operating accounts, site and floor areas, and other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken for the purpose of these valuations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company, which is material to our valuation. We are also advised by the Company that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view.

VALUATION ASSUMPTIONS

In valuing the properties, unless otherwise stated, we have assumed that transferable leasehold interests of the properties for their respective leasehold terms have been granted. Unless otherwise stated, we have also assumed that the Group has good leasehold rights to the properties and has free and uninterrupted rights to occupy, use, transfer or lease the properties for the whole of the respective unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

SITE INSPECTION

We have undertaken a formal inspection of the properties. The inspection was carried out by Mr. Gregory Condon during 5 to 8 November 2018. During the course of our inspection, we did not note any serious defects. Moreover, no structural survey has been made, and we are therefore unable to report that these properties are free from any other structural defects. No tests were carried out on any of the services.

CURRENCY

Unless otherwise stated, all money amounts stated are in United States Dollar ("US$"). The exchange rate adopted in our valuation is 1 US Dollar=HK$7.8489, which was the approximate exchange rate prevailing as at the Valuation Date.

We enclose herewith our summary of values and valuation certificate.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services (S) Pte Ltd

Gregory Condon
MRICS A.A.P.I.
MRICS Registered Valuer No. 1229282

Martin Fidden
MRICS
MRICS Registered Valuer No. 1281386

Notes:

(1) Mr. Gregory Condon is a qualified valuer and has over 15 years' post-qualification experience in valuation of commercial properties and hotel/resort in Australia, the United Kingdom, South East Asia and Pacific Islands.

(2) Mr. Martin Fidden is a qualified valuer and has over 15 years' post-qualification experience in valuation of commercial and hotel properties in Asia Pacific.

SUMMARY OF VALUES

Properties held by the Group for owner-operation

No.	Property	Market value in existing state as at 31 January 2019
1.	Fiesta Resort Guam, 801 Pale San Vitores Road, Tumon Bay, Guam 96913	US$42,400,000 (equivalent to approximately HK$332,800,000)
2.	Fiesta Resort & Spa Saipan, Coral Tree Avenue, Garapan, MP 96950	US$49,700,000 (equivalent to approximately HK$390,000,000)
3.	Kanoa Resort Saipan, Beach Road, Susupe, Saipan 96950	US$14,500,000 (equivalent to approximately HK$113,800,000)
4.	Century Hotel Chalan Pale Arnold, Kalachucha Avenue, Garapan, Saipan, Saipan 96950	US$2,000,000 (equivalent to approximately HK$15,700,000)
5.	Lot 5137-6-1-1-R1, Pale San Vitores Road, Tumon Bay, Guam 96913	US$3,100,000 (equivalent to approximately HK$24,300,000)
6.	Fiesta Resort & Spa Saipan Staff Quarters, Bukiki Avenue, Garapan, MP 96950	US$600,000 (equivalent to approximately HK$4,710,000)
7.	Saipan Beach Court Apartment, Ginger Avenue, Garapan, MP 96950	US$2,000,000 (equivalent to approximately HK$15,700,000)
	Total:	US$114,300,000 (equivalent to approximately HK$897,010,000)

VALUATION CERTIFICATE

Properties held by the Group for owner-operation

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
1.	Fiesta Resort Guam, 801 Pale San Vitores Road, Tumon Bay, Guam 96913	The property comprises a parcel of beachfront land of an area of approximately 26,371 sq.m. upon which a significant resort accommodating 318 guestrooms and supporting facilities has been constructed in the circa early-1970's. Guestrooms are provided in six configurations within a significant two towers structure, with a central First Floor Reception. The "South Wing" of twelve storeys, provides all ocean-facing guestrooms, whilst the "North Wing" of eight storeys provides both ocean view and mountain view guestroom aspects. The hotel's facilities include multiple food & beverage outlets, two swimming pools, Marine Center, ballroom and meeting rooms, and extensive onsite car parking. We understand that the land holding of the property is held under a leasehold for a term of 60 years, expiring 30 September 2053. As advised by the Company, the total gross floor area of the property is approximately 17,567 sq.m. The property is located approximately 2.5 kilometres north of Antonio B. Won Pat International Airport, on the west coast of Guam. The property is located within the popular hotel and hospitality zone of Tumon Bay, which includes a number of large-scale beachfront resorts, with a range of international hotelier groups represented in the immediate vicinity.	The property is currently operating as a resort.	US$42,400,000 (equivalent to approximately HK$332,800,000)

Notes:

(1) Pursuant to a lease agreement, the land of the property has been leased to Guam Dai-Ichi Hotel Inc. by the Trustees of a testamentary trust created by Jose P. Leon Guerrero for a term of 60 years from 1 October 1993. The lease was assigned to Asia Pacific Hotels, Inc. (Guam), which is a wholly-owned subsidiary of the Company, effective 20 May 2002.

(2) As advised by the Company, the property is free from any encumbrances.

(3) Our key assumptions in the valuation are as follows:

Average Daily Rate	:	US$140 per night
Capitalization Rate	:	6.0%

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
2.	Fiesta Resort & Spa Saipan, Coral Tree Avenue, Garapan, MP 96950	The property comprises a parcel of beachfront land of an area of approximately 30,379 sq.m. upon which a significant resort accommodating 416 guestrooms and supporting facilities has been constructed. The hotel's guestrooms are provided in five configurations within two interconnected guestroom wings of eight storeys with central First Floor Reception Lobby. The "South Wing" constructed circa mid-1980's, provides entirely ocean facing guestrooms, together with Executive Management Offices and supporting facilities. The "North Wing", constructed circa early 1990's, provides ocean view and mountain view guestroom aspects, together with First Floor food & beverage outlets and retail units. The significant hotel and grounds includes supporting facilities such as swimming pools, Marine Center, tennis courts, ballroom and meeting rooms, and onsite car parking. As advised by the Company, the total gross floor area of the property is approximately 17,644 sq.m. We understand that the land holding of the property is held under a leasehold for a term of 30 years from 1 July 1971 which was subsequently extended via option terms to expire on 30 June 2021, unless further extended or renewed. The property is located approximately 10.5 kilometres north of the Saipan International Airport, at the approximate midpoint of the west coast of the island. The area of Garapan of which the Property forms a part is a well-established hotel and commercial district, and includes a number of beachfront resorts and retail complexes.	The property is currently operating as a resort.	US$49,700,000 (equivalent to approximately HK$390,000,000)

Notes:

(1) Pursuant to a lease agreement, the land of the property has been leased to Pacific Micronesia Corporation by the Government of the Trust Territory of the Pacific Islands for a term of 30 years from 1 July 1971. The lease was granted with two (2) consecutive option terms of ten (10) years each, which were both exercised and the lease will expire on 30 June 2021, unless further extended or renewed. The lease was assigned to Asia Pacific Hotels Inc., which is a wholly-owned subsidiary of the Company, effective 31 January, 2002.

(2) Pursuant to discussions with representatives of the Company, for the purposes of this valuation we have assumed that the lease agreement and leasehold rights will be renewed for a period of fifteen (15) years from the current expiry date, following negotiation and agreement with the relevant authorities.

(3) As advised by the Company, the property is free from any encumbrances.

(4) Our key assumptions in the valuation are as follows:

Average Daily Rate	:	US$150 per night
Capitalization Rate	:	8.0%

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
3.	Kanoa Resort Saipan, Beach Road, Susupe, Saipan 96950	The property comprises a parcel of beachfront land of an area of approximately 38,991 sq.m. upon which a significant resort accommodating 224 guestrooms and supporting facilities has been constructed progressively until circa late-1970's. The hotel structure comprises an elongated low-rise five storey accommodation and facilities building with a connected ten storey guestroom tower known as the 'Emerald Tower' located at the northern end of the "Main Building". All guestrooms are provided with ocean views, with hotel facilities including multiple food & beverage outlets, swimming pools, tennis courts, meeting rooms, and onsite car parking. As advised by the Company, the total gross floor area of the property is approximately 20,267 sq.m. We understand that the land holding of the property is held under a leasehold for a term of 30 years from 1 July 1974, which was subsequently extended via option terms to expire on 30 June 2024, unless further extended or renewed. The property is located approximately 5 kilometres northwest of the Saipan International Airport, on the west coast of the island. The area Susupe of which the property forms a part is a well-established hotel and commercial district, and includes a number of beachfront resorts.	The property is currently operating as a resort.	US$14,500,000 (equivalent to approximately HK$113,800,000)

Notes:

(1) Pursuant to a lease agreement, the land of the property was leased to Vicente D. Sabian Enterprise by the Government of the Trust Territory of the Pacific Islands for a term of 30 years from 1 July 1974. The lease was subsequently assigned to Asia Pacific Hotels Inc., which is a wholly-owned subsidiary of the Company, in June 2005. The lease was granted with two (2) consecutive option terms of ten (10) years each, which were both exercised and lease will expire on 30 June 2024, unless further extended or renewed.

(2) Pursuant to discussions with representatives of the Company, for the purposes of this valuation we have assumed that the lease agreement and leasehold rights will be renewed for a period of fifteen (15) years from the current expiry date, following negotiation and agreement with the relevant authorities.

(3) As advised by the Company, the property is free from any encumbrances.

(4) Our key assumptions in the valuation are as follows:

Average Daily Rate	:	US$118 per night
Capitalization Rate	:	9.0%

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
4.	Century Hotel Chalan Pale Arnold, Kalachucha Avenue, Garapan, Saipan, Saipan 96950	The property comprises a parcel of land of an area of approximately 1,200 sq.m. upon which a three storey Midscale hotel accommodating 33 guestrooms and supporting facilities has been constructed in the circa 1980's. The guestrooms are of identical size across all floors of the building, provided in three configurations, consisting of "Twin", "Queen" or "King". Hotel facilities located on the ground floor include a restaurant, bar, and onsite car parking. As advised by the Company, the total gross floor area of the property is approximately 1,395 sq.m. We understand that the land holding of the property is held under a leasehold for a term of 55 years from 11 July 1987, expiring in 2042. The property is located approximately 10.5 kilometres north of the Saipan International Airport, and approximately 500 metres inland from the west coast of the island. The area of Garapan of which the property forms a part is a well-established hotel and commercial district which includes a number of major beachfront resorts and supporting retail and commercial complexes.	The property is currently operating as a resort.	US$2,000,000 (equivalent to approximately HK$15,700,000)

Notes:

(1) Pursuant to a lease agreement, the land of the property has been leased to Goo Ho Cho by the Administratrix of the Estate of Jose S. N. Sablan for a term of 55 years from 11 July 1987. The lease was subsequently assigned to Asia Pacific Hotel Inc., which is a wholly-owned subsidiary of the Company, in January, 2005.

(2) As advised by the Company, the property is free from any encumbrances.

(3) Our key assumptions in the valuation are as follows:

Average Daily Rate	:	US$87.5 per night
Capitalization Rate	:	10.0%

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
5.	Lot 5137-6-1-1-R1, Pale San Vitores Road, Tumon Bay, Guam 96913	The property comprises a parcel of beachfront land of an area of approximately 2,466 sq.m. located adjoining the grounds of the Fiesta Resort Guam resort. Existing improvements upon the property include a basic outdoor food & beverage outlet, together with two modest single level buildings operated as part of the hotel's Marine Center. We understand that the land is held in Fee Simple. The property is located approximately 2.5 kilometres north of Antonio B. Won Pat International Airport, on the west coast of Guam. The property is located within the popular hotel and hospitality zone of Tumon Bay, which includes a number of large-scale beachfront resorts, with a range of international hotelier groups represented in the immediate vicinity.	The property is currently operating as part of the Fiesta Resort Guam resort.	US$3,100,000 (equivalent to approximately HK$24,300,000)

Notes:

(1) The owner of the property is Asia Pacific Hotels, Inc (Guam), which is a wholly-owned subsidiary of the Company.

(2) As advised by the Company, the property is subject to a mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited and to the liens for certain real property taxes.

(3) In our valuation, we have made reference to various market comparables which have characteristics similar to the property. The unit rates of these comparables are in the range of US$700 to US$1,000 per sq.m. Due adjustments to the unit rates of these comparables have been made to reflect for the difference in key factors such as date of transaction, location and size. We have adopted an average unit rate of about US$1,250 per sq.m. for the property.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
6.	Fiesta Resort & Spa Saipan Staff Quarters, Bukiki Avenue, Garapan, MP 96950	The property comprises a parcel of land of an area of approximately 929 sq.m. upon which a three storey staff quarters building has been constructed in the circa 1980's. The building onsite comprises a modest three storey brick staff accommodation building. We understand the building provides 72 single-occupancy units across three floors, together with shared bathroom and washroom facilities, and common rooms on each floor containing shared cooking facilities. The upper floors are accessed via multiple staircases. There is a small concrete paved yard at ground level, together with a security gatehouse and perimeter fencing. There is open paved off-street parking for six vehicles along the street frontage of the property. As advised by the Company, the total gross floor area of the property is approximately 963 sq.m. We understand that the land holding of the property is held under a leasehold for a term of 55 years from 22 May 1991, to expire on 21 May 2046. The property is located approximately 10.5 kilometres north of the Saipan International Airport, and approximately 300 metres south-east of the Fiesta Resort & Spa Saipan hotel complex. The specific area of Garapan to the east side of Beach Road of which the property forms a part is a secondary mixed residential and commercial area, with a high proportion of modest homes and undeveloped plots in the immediate vicinity.	The property is currently occupied as staff quarters for Fiesta Resort & Spa Saipan staff members.	US$600,000 (equivalent to approximately HK$4,710,000) (see Note 4)

Notes:

(1) Pursuant to a lease agreement, the land of the property has been leased to Pacific Micronesia Corporation by Rufino B. Tudela for a term of 55 years from 22 May 1991. The lease was assigned to Asia Pacific Hotels Inc., which is a wholly-owned subsidiary of the Company, effective January, 2002.

(2) As advised by the Company, the property is free from any encumbrances.

(3) In our valuation, we have made reference to various land comparables which have characteristics similar to the property. The unit rates of these comparables are in the range of US$500 to US$800 per sq.m. Due adjustments to the unit rates of these comparables have been made to reflect for the difference in key factors such as date of transaction, location and size. We have adopted an average unit rate of about US$650 for the land of the property.

(4) We have only assigned value to the land of the property because the building erected on the land is in a state of dilapidation.

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 January 2019
7.	Saipan Beach Court Apartment, Ginger Avenue, Garapan, MP 96950	The property comprises two parcels of land of an area of approximately 1,832 sq.m. (916 sq.m. each) bounded by Ginger Avenue, Palm Street and Plumeria Avenue, upon which a (part) three storey apartment complex of 20 individual dwellings has been constructed in the circa 1980's. Collectively known as "Saipan Beach Court Apartments", the residential complex comprises a rectangular (part) three storey building with primary frontage to Ginger Avenue, together with additional access to Plumeria Avenue to the rear. We understand that the complex comprises 20 individual dwellings of two bedroom configuration, together with living, kitchen and bathroom facilities. Access to the apartments is provided via shared staircases accessible from the Ginger Avenue frontage, which also provides direct access to 20 undercroft carparking spaces at street level. The rear of the land parcel provides a secured shared yard, together with single level brick buildings to the perimeter containing shared laundry room, rubbish refuse, and power generator facilities. As advised by the Company, the total gross floor area of the property is approximately 1,932 sq.m. We understand that the land holding of the property is held under a leasehold for a term expiring on 4 January 2042. The property is located approximately 10.5 kilometres north of the Saipan International Airport, and approximately 300 metres south-east of the Fiesta Resort & Spa Saipan hotel complex. The specific area of Garapan to the west side of Beach Road of which the property forms a part is a densely developed, mixed residential and commercial area.	The property is currently occupied as staff quarters for Fiesta Resort & Spa senior staff members.	US$2,000,000 (equivalent to approximately HK$15,700,000)

Notes:

(1) Pursuant to a lease agreement, the land of the property has been leased to Pacific Micronesia Corporation by William L Heston. The lease was assigned to Asia Pacific Hotels Inc., which is a wholly-owned subsidiary of the Company, effective 31 January 2002.

(2) The Company's CNMI and Guam Legal Adviser has advised that, notwithstanding the legal issues related to the validity of the lease, in their reasoned opinion, there is no reasonably foreseeable practical risk for the continued occupancy and use of the Beach Court Land Parcel A and the staff quarters situated on this land parcel.

(3) In our valuation, we have made reference to various market comparables which have characteristics similar to the property. The unit rates of these comparables are in the range of US$50,000 to US$150,000 per apartment/condo. Due adjustments to the unit rates of these comparables have been made to reflect for the difference in key factors such as date of transaction, location, size and building quality. We have adopted an average unit rate of about US$100,000 for each dwelling of the property.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 18, 2018 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). Our Company's constitutional documents consist of its Memorandum of Association (the "**Memorandum**") and its Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on April 9, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) ***Alteration of capital***

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as our Directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) ***Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that our Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

Our Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Our Board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as our Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of our Company.

(v) ***Power of our Company to purchase its own shares***

Our Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) ***Power of any subsidiary of our Company to own shares in our Company***

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) ***Calls on shares and forfeiture of shares***

Our Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of our Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if our Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as our Board determines.

(b) **Directors**

(i) ***Appointment, retirement and removal***

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of our Board for six (6) consecutive months, and our Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(ii) ***Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) ***Power to dispose of the assets of our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iv) ***Borrowing powers***

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) ***Remuneration***

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(vii) ***Loans and provision of security for loans to Directors***

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if our Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to our directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which our Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) **Proceedings of our Board**

Our Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) **Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) **Meetings of members**

(i) ***Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) ***Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) ***Annual general meetings and extraordinary general meetings***

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) ***Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and (ee) the fixing of the remuneration of the directors and of the auditors.

(v) ***Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) **Accounts and audit**

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as our Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorized by our Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our

Company may send to such persons summarized financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarized financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) **Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realized or unrealized, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our Company in general meeting has resolved that a dividend be paid or declared our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) **Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by our Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) **Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) **Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from October 22, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of our Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

(n) **Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. Our Company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) **Register of directors and officers**

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) **Beneficial ownership register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) **Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) **Economic substance requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents available for inspection" in Appendix VI to this Prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law on October 18, 2018. Accordingly, we operate subject to Cayman Islands laws and our constitutional document comprises our Memorandum and Articles of Association. A summary of various provisions of our Articles and relevant aspects of Cayman Island Companies Law are set out in Appendix IV to this Prospectus.

Our registered address is at the offices of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands and we have established a place of business in Hong Kong at 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. Our Company was registered as an overseas company in Hong Kong under Part 16 of the Companies Ordinance on December 3, 2018. Miss CHEUNG Pik Shan Bonnie (張碧珊女士) has been appointed as our agent for the acceptance of service of process in Hong Kong and such appointment shall be effective from the Listing Date. The address for service of process on our Company in Hong Kong is the same as our registered place of business in Hong Kong as set out above.

2. Changes in the share capital of our Company

(a) At the date of our incorporation, our authorized share capital was HK$380,000 divided into 38,000,000 Shares of par value of HK$0.01 each. The subscriber share was issued and allotted to the initial subscriber and subsequently transferred to THC Leisure on the same day.

(b) On April 9, 2019, our authorized share capital was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, to HK$5,000,000 divided into 500,000,000 Shares of HK$ 0.01 each, by the creation of 462,000,000 Shares of par value of HK$ 0.01 each.

(c) Assuming that the Capitalization Issue and the Global Offering become unconditional and the Offer Shares are issued (assuming that the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options), the number of Shares issued by us will be 360,000,000 Shares fully-paid, with 140,000,000 Shares remaining unissued.

(d) On the basis that the Over-Allotment Option is exercised in full (without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options), a total of 373,500,000 Shares will have been allotted and issued as fully-paid and 126,500,000 Shares will remain unissued.

Except as disclosed above, there has been no alteration in our share capital within 2 years immediately preceding the date of this Prospectus.

3. **Changes in the share capital of our principal subsidiaries**

Our principal subsidiaries as of December 31, 2018 are set out in Note 1 to the Accountant's Report, the text of which is set out in Appendix I to this Prospectus. The following alterations in the share capital of our principal subsidiaries have taken place within 2 years immediately preceding the date of this Prospectus:

(a) ***APHI Guam***

On August 28, 2018, APHI Guam redeemed 5 director qualifying shares, which are now held as treasury shares in its issued and outstanding share capital.

(b) ***Gemkell Hawaii***

On February 20, 2018, Gemkell Hawaii was organized as a limited liability company with Gemkell Guam as its sole member.

(c) ***S.A.I. CNMI Holdings***

On October 18, 2018, S.A.I. CNMI Holdings was incorporated in the BVI with authorized shares of 50,000 shares of nil par value, of which 1 share was issued and allotted to the initial subscriber and subsequently transferred to our Company.

(d) ***S.A.I. Guam Holdings***

On October 18, 2018, S.A.I. Guam Holdings was incorporated in the BVI with authorized shares of 50,000 shares of nil par value, of which 1 share was issued and allotted to the initial subscriber and subsequently transferred to our Company.

(e) ***S.A.I. CNMI Tourism***

On November 9, 2018, S.A.I. CNMI Tourism was incorporated in the CNMI with an authorized share capital of US$1,000,000 divided into 1,000,000 shares of US$1 each, of which 100 shares were issued and allotted to S.A.I. CNMI Holdings.

(f) ***S.A.I. Guam Tourism***

On October 24, 2018, S.A.I. Guam Tourism was incorporated in Guam with an authorized share capital of US$50,000 divided into 50,000 shares of US$1 each, of which 10,000 shares were issued and allotted to S.A.I. Guam Holdings.

4. **Our Reorganization**

See "History and Development — Reorganization" for the restructuring steps we implemented in preparation for the Listing.

5. **Written resolutions of our sole Shareholder dated April 9, 2019**

On April 9, 2019, THC Leisure, our sole Shareholder, resolved in writing, among other things and in summary:-

(1) conditional upon (a) the Listing Committee granting the approval of the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and Global Offering (including any additional Share which may be issued pursuant to the exercise of the Over-Allotment Option) and the Shares which may be issued upon exercise of the Post-IPO Share Options, and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange, (b) the Offer Price having been duly agreed between the Joint Global Coordinators (for themselves on behalf of the Underwriters) and our Company, (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date, and (d) the obligations of the Underwriters under each of the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in such agreements:-

(i) the Global Offering was approved and our Directors were authorized to approve the allotment and issue of the Shares pursuant to the Global Offering on and subject to the terms and conditions thereof as set out in this Prospectus and the Application Forms,

(ii) the proposed Listing was approved and our Directors were authorized to implement the proposed Listing,

(iii) the Over-Allotment Option was approved and our Directors were authorized to effect the same and to allot and issue the Shares upon exercise of the Over-Allotment Option,

(iv) the Capitalization Issue was approved and conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK$2,699,999.99 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 269,999,999 Shares, such Shares to be allotted and issued on the Listing Date, credited as fully-paid at par to our Shareholder(s) whose name(s) appear on the register of members of our Company at the close of business on Wednesday, May 15, 2019 in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then shareholding in our Company and the Shares to be allotted and issued pursuant to the Capitalization Issue shall carry the same rights in all respects with the then existing issued Shares and our Directors were authorized to allot and issue the Shares under the Capitalization Issue and to give effect to such capitalization,

(v) the Issuing Mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than pursuant to a rights issue, or any scrip dividend scheme or similar arrangement providing for allotment and issue of Shares in lieu of the whole or in part of a dividend on Shares in accordance with our Articles, or any specific authority granted by our Shareholders in general meeting(s), or pursuant to the exercise of any Post-IPO Share Options or any other arrangement which may be regulated under Chapter 17 of the Listing Rules, such number of Shares representing up to 20% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and Global Offering, and such mandate to remain in effect until the conclusion of our next annual general meeting unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which our next annual general meeting is required by our Articles or any applicable laws of the Cayman Islands to be held, or when the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing such mandate, which occurs first (the "**Relevant Period**"),

(vi) the Repurchase Mandate was given to our Directors to exercise all powers for and on behalf of our Company to repurchase on the Stock Exchange, or on any other approved stock exchange on which our securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Listing Rules or of any other stock exchange on which our securities may be listed, as amended from time to time such number of Shares representing up to 10% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and Global Offering, such mandate to remain in effect during the Relevant Period,

(vii) the extension of the Issuing Mandate by the addition to the total number of Shares in issue which may be allotted and issued or agreed conditionally or unconditionally to be allotted or issued by our Directors pursuant to such Issuing Mandate of the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately upon completion of the Capitalization Issue and the Global Offering, and

(viii) the Post-IPO Share Option Scheme was approved and adopted with such additions, amendments or modifications thereto as may be approved by our Directors in their absolute discretion and our Directors were authorized, at their absolute discretion, to implement the Post-IPO Share Option Scheme, to grant Post-IPO Share Options thereunder, to allot, issue and deal with the Shares thereunder, to modify or amend the Post-IPO Option Scheme, to apply to the Stock Exchange for the listing of, and permission to deal in, the Shares issued upon exercise of the Post-IPO Share Options, and to take all such steps as may be necessary, desirable or expedient to implement or give effect to the Post-IPO Share Option Scheme,

(2) our Articles were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the Listing Date, and

(3) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$5,000,000 divided into 500,000,000 Shares by the creation of additional 462,000,000 Shares, which carry the same rights in all respects with the Shares in issue and our Memorandum of Association was amended and reinstated to that effect.

B. REPURCHASE OF OUR SHARES

The information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by us of our own securities is as follows:-

1. Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:-

(a) ***Shareholder's approval***

All proposed repurchase of securities (which, under the Listing Rules and Companies (Winding Up and Miscellaneous Provisions) Ordinance, must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(b) ***Source of funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutional documents and the Listing Rules and all applicable laws of Hong Kong or elsewhere. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of our profit or share premium or out of the proceeds of a fresh issue of the Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits of our Company or out of the share premium account of our Company. Subject to satisfaction of the solvency test prescribed by the Cayman Islands Companies Law, a repurchase may also be made out of capital.

(c) ***Trading restrictions***

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(d) ***Status of repurchased shares***

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be canceled and destroyed.

(e) ***Suspension of repurchase***

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of 1 month immediately preceding the earlier of (1) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and (2) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(f) ***Reporting requirements***

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) ***Core connected persons***

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a connected person is prohibited from knowingly selling his securities to the company.

2. **Reasons for the Repurchase Mandate**

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

3. **Funding of repurchases**

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands. On the basis of our current financial position as disclosed in this Prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

4. **General**

Exercise in full of the Repurchase Mandate, on the basis of 360,000,000 Shares in issue immediately upon completion of the Capitalization Issue and Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), could accordingly result in up to 36,000,000 Shares being repurchased by us during the period prior to the earliest of:

(a) the conclusion of our next annual general meeting unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions,

(b) the expiration of the period within which our next annual general meeting is required by our Articles or the any applicable laws of the Cayman Islands to be held, or

(c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking, varying or renewing the Repurchase Mandate.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Articles, the Cayman Islands Companies Law or any other applicable laws of Hong Kong and the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of us is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No core connected person (as defined in the Listing Rules) has notified us that he or she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the 2 years immediately preceding the date of this Prospectus and are or may be material:-

(a) the restructuring agreement dated November 16, 2018 entered into by Tan Holdings Corporation, L&T (Guam) Corporation, THC Leisure Holdings Limited and S.A.I. Guam Tourism Inc., pursuant to which L&T (Guam) Corporation agreed to transfer 9,499,995 shares in Asia Pacific Hotels, Inc. (Guam), representing its entire issued share capital (excluding 5 treasury shares), to S.A.I. Guam Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 11,159 shares to Tan Holdings Corporation,

(b) the restructuring agreement dated November 16, 2018 entered into by Tan Holdings Corporation, L&T (Guam) Corporation, THC Leisure Holdings Limited and S.A.I. Guam Tourism Inc., pursuant to which L&T (Guam) Corporation agreed to transfer 60,000 shares in Gemkell Corporation, representing 75% of its issued share capital, to S.A.I. Guam Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 4,891 shares to Tan Holdings Corporation,

(c) the restructuring agreement dated November 15, 2018 entered into by Tan Holdings Corporation, THC Leisure Holdings Limited, Luen Thai Leisure Company Limited, TAN Siu Lin, TAN Henry and S.A.I. CNMI Tourism Inc., pursuant to which Luen Thai Leisure Company Limited agreed to transfer 1,000,000 shares in Century Tours, Inc., representing its entire issued share capital, to S.A.I. CNMI Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 1,068 shares to Tan Holdings Corporation,

(d) the restructuring agreement dated November 15, 2018 entered into by Tan Holdings Corporation, THC Leisure Holdings Limited, Luen Thai Enterprises Ltd., TAN Siu Lin, TAN Henry and S.A.I. CNMI Tourism Inc., pursuant to which Luen Thai Enterprises Ltd. agreed to transfer 75,000 shares in Gemkell (Saipan) Corporation, representing 75% of its issued share capital, to S.A.I. CNMI Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 160 shares to Tan Holdings Corporation,

(e) the restructuring agreement dated November 15, 2018 entered into by Tan Holdings Corporation, THC Leisure Holdings Limited and S.A.I. CNMI Tourism Inc., pursuant to which Tan Holdings Corporation agreed to transfer 15,000,000 shares in Asia Pacific Hotels, Inc., representing its entire issued share capital, to S.A.I. CNMI Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 21,536 shares to Tan Holdings Corporation,

(f) the restructuring agreement dated November 15, 2018 entered into by Tan Holdings Corporation, THC Leisure Holdings Limited and S.A.I. CNMI Tourism Inc., pursuant to which Tan Holdings Corporation agreed to transfer 500,000 shares in Let's Go Tour Company, representing its entire issued share capital, to S.A.I. CNMI Tourism Inc., in consideration for THC Leisure Holdings Limited issuing and allotting 359 shares to Tan Holdings Corporation,

(g) the restructuring agreement dated November 15, 2018 entered into between Tan Holdings Corporation, THC Leisure Holdings Limited and S.A.I. CNMI Tourism Inc., pursuant to which Tan Holdings Corporation agreed to transfer 100,000 shares in Saipan Adventures, Inc., representing its entire issued share capital, to S.A.I. CNMI Tourism Inc., in consideration for which THC Leisure Holdings Limited issued and allotted 826 shares to Tan Holdings Corporation,

(h) the Deed of Indemnity dated April 9, 2019 executed by TAN Siu Lin, TAN Henry and S.A.I. Leisure Group Company Limited, particulars of which are set out in "— G. Other Information — 12. Taxation of Holders of our Shares" below,

(i) the Cornerstone Investment Agreement dated April 25, 2019 entered into by S.A.I. Leisure Group Company Limited, Sunrise Height Incorporated, KWOK Siu Ming, the Joint Global Coordinators and the Sole Sponsor, pursuant to which Sunrise Height Incorporated agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) which may be purchased for an aggregate amount of US$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fees) at the Offer Price, and

(j) the Hong Kong Underwriting Agreement relating to the Hong Kong Public Offering entered into by S.A.I. Leisure Group Company Limited, our Executive Directors (being TAN Henry, CHIU George, SU TAN Jennifer Sze Tink and SCHWEIZER Jeffrey William), our Controlling Shareholders (being TAN Siu Lin, TAN Henry, THC Leisure Holdings Limited, Tan Holdings Corporation and Leap Forward Limited), the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters on Monday, April 29, 2019, particulars of which are set out in "Underwriting".

2. **Our material intellectual property rights**

(a) ***Trade marks***

As of the Latest Practicable Date, we had registered the following trade mark in Hong Kong which we believe is material to our business:-

Trade name/trade mark	Jurisdiction	Registration No.	Registered owner	Class(es)	Expiry date
	Hong Kong	304693230	Our Group	35, 39, 41, 43	October 9, 2028

As of the Latest Practicable Date, we had applied for registration of the following trade marks (including 6 trade marks in the United States and 5 in Hong Kong) which we believe are material to our business:-

Trade name/trade mark	Jurisdiction	Registration No.	Applicant	Class(es)	Application date
Kanoa Resort Saipan	United States	87946434	Our Group	43	June 4, 2018

Trade name/trade mark	Jurisdiction	Registration No.	Applicant	Class(es)	Application date
CENTURY HOTEL	United States	87946490	Our Group	43	June 4, 2018
FIESTA Resort & SPA SAIPAN	United States	87949986	Our Group	43	June 5, 2018
FIESTA Resort GUAM	United States	87950022	Our Group	43	June 6, 2018
Let's Go! Tour company	United States	88049411	Our Group	39	July 23, 2018
SEATOUCH SAIPAN	United States	88049348	Our Group	41	July 23, 2018
	Hong Kong	304694905	Our Group	35, 39, 41, 43	October 10, 2018
海天地	Hong Kong	304694914	Our Group	35, 39, 41, 43	October 10, 2018
SAI Leisure	Hong Kong	304694923	Our Group	35, 39, 41, 43	October 10, 2018
S.A.I. Leisure	Hong Kong	304694932	Our Group	35, 39, 41, 43	October 10, 2018
悦旅	Hong Kong	304694941	Our Group	35, 39, 41, 43	October 10, 2018

(b) ***Domain Names***

As of the Latest Practicable Date, we were the registered owner of the following domain names which we believe are material to our business:-

Domain Name	Registered Owner	Expiry Date
www.saileisuregroup.com	Our Group	October 25, 2023
www.fiestasaipan.com	Our Group	May 9, 2020
www.kanoaresort.com	Our Group	January 2, 2024
www.fiestaguam.com	Our Group	May 9, 2020
www.gemkell.com	Our Group	January 18, 2021

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) *Interests of Directors and chief executives*

The interests of our Directors and chief executives immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are listed, are as follows:-

(i) *Our Company*

	Shares in our Company(1)			
Directors	**Personal Interests (held as beneficial owner)**	**Corporate interests (interests of controlled corporations)**	**Total interests**	**%**
Chairman Tan(2)	—	270,000,000	270,000,000	75%
Dr. Henry Tan(3)	—	270,000,000	270,000,000	75%

Notes:

(1) All interests in shares in our Company are held in long position.

(2) Chairman Tan is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because (a) he acts in concert with Dr. Henry Tan in respect of the affairs of our Group, (b) he and Dr. Henry Tan together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (c) he and Dr. Henry Tan together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward, (d) he is the founder of the said discretionary family trust, (e) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (f) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Chairman Tan.

(3) Dr. Henry Tan is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure because (a) he acts in concert with Chairman Tan in respect of the affairs of our Group, (b) he and Chairman Tan together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (c) he and Chairman Tan together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward, (d) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (e) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Henry Tan. He is also the registered owner of a 20% interest in Tan Holdings.

(ii) *Our associated corporations*

	Shares in our associated corporations			
Directors	**Personal Interests (held as beneficial owner)**	**Corporate interests (interests of controlled corporations)**	**Total interests**	**%**
Tan Holdings				
Chairman Tan(note)	—	6,177,228	6,177,228	39%
Dr. Henry Tan(note)	3,167,811	6,177,228	9,345,039	59%
L&T (Guam) Corporation				
Chairman Tan	1	—	—	0%
Dr. Henry Tan	1	—	—	0%
Mr. Willie Tan	1	—	—	0%
Unity Development Corporation				
Chairman Tan	1	—	1	0%
Cosmos Distributing Co., (Saipan) Ltd.				
Mr. Chiu	180,000	—	180,000	30%
Cosmos Distributing Co., Ltd.				
Mr. Chiu	120,000	—	120,000	17.1%
Tango Inc.				
Mr. Chiu	200	—	200	0.2%
Mr. Willie Tan	400	—	400	0.4%
D&Q Co., Ltd.				
Mr. Chiu	400,000	—	400,000	10%

Note:

Tan Holdings is held as to 39% by Leap Forward. Chairman Tan and Dr. Henry Tan are deemed to be interested in 6,177,228 Shares in Tan Holdings under the SFO held by Leap Forward because (1) they act in concert, (2) they together control the majority of the board of directors of Supreme Success Limited (as the trustee of a discretionary family trust), which is the registered owner of the entire interests in Leap Forward, and (3) they together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward. Chairman Tan is also the settlor of the said discretionary family trust. As such, Leap Forward is a controlled corporation of each of Chairman Tan and Dr. Henry Tan.

(b) ***Interests of our Substantial Shareholders***

Immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of the Post-IPO Share Options), so far as our Directors are aware, the following persons (not being a Director or a chief executive of us) will have an interests or short position in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:-

(i) *Our Company*

See "Substantial Shareholders".

(ii) *Other members of our Group*

Member of our Group	Person with 10% or more interest (other than us)	%
Gemkell Saipan	Mr. Hawes	25%
Gemkell Guam	Mr. Hawes	25%

Save as disclosed above and in "Substantial Shareholders", our Directors are not aware of any persons who will, immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

(c) ***Negative statement regarding interests in securities***

None of our Directors or our chief executive will immediately upon completion of the Capitalization Issue and the Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) have any disclosure interests (as referred to in (a) above), other than as disclosed at (a) above.

Taking no account of Shares which may be taken up under the Global Offering, none of our Directors know of any persons who will immediately upon completion of the Capitalization Issue and Global Offering (assuming that the Over-Allotment Option is not exercised and without taking into account the Shares to be issued upon exercise of the Post-IPO Share Options) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than as disclosed at (b) above.

2. Directors' service contracts and letters of appointment

Our Executive Directors have each signed a service agreement with us for an initial term of 3 years, commencing from April 9, 2019 (subject to termination in certain circumstances as stipulated in the relevant service agreement).

The annual remuneration payable to our Executive Directors by our Group (excluding discretionary bonus) is as follows:-

Director	Remuneration (per year)
Dr. Henry Tan	US$200,000
Mr. Chiu	US$150,000
Mrs. Su Tan	HK$1,000,000
Mr. SCHWEIZER Jeffrey William	US$150,000

Our Non-Executive Directors have each signed a letter of appointment with us for an initial term of 3 years, commencing from April 9, 2019 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The annual remuneration payable to our Non-Executive Director by our Group (excluding discretionary bonus) is as follows:-

Director	Remuneration (per year)
Chairman Tan	US$19,000
Mr. Willie Tan	US$19,000

Each of our Independent Non-Executive Directors has signed a letter of appointment with us for an initial term of 3 years, commencing from April 9, 2019 (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

The annual remuneration payable to our Independent Non-Executive Directors by our Group (excluding discretionary bonus) is as follows:-

Director	Remuneration (per year)
Prof. CHAN Pak Woon David (陳栢桓教授)	HK$300,000
Mr. MA Andrew Chiu Cheung (馬照祥先生)	HK$300,000
Mr. CHAN Leung Choi Albert (陳樑才先生)	HK$300,000

3. Agency fees or commission

Except as disclosed in this Prospectus, within the 2 years preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of us or any of our subsidiaries.

4. **Related party transactions**

Our Directors have confirmed that all related party transactions are conducted on normal commercial terms, and that their terms are fair and reasonable.

Details of all related party transactions during the Track Record Period are set out in Note 31 to the Accountant's Report.

E. DISCLAIMERS

Except as disclosed in this Prospectus:

(a) none of our Directors or our chief executives has any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporation (within the meaning of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO of which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies once the Shares are listed,

(b) none of our Directors or experts referred to in "— G. Other Information— 7. Qualifications of Experts" below has any direct or indirect interest in the promotion of us, or in any assets which have within the 2 years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group,

(c) none of our Directors or experts referred to in "— G. Other Information— 7. Qualifications of Experts" below is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole,

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within 1 year without payment of compensation (other than statutory compensation)),

(e) taking no account of Shares which may be taken up under the Capitalization Issue and the Global Offering or upon the exercise of the Over-Allotment Option and any Post-IPO Share Options, none of our Directors knows of any person (not being a Director or chief executive of us) who will, immediately following completion of the Capitalization Issue and the Global Offering, have an interest or short position in the shares or underlying shares of us which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group,

(f) no part of the equity or debt securities of our company is presently listed or dealt in or on which listing or permission to deal is being or is proposed to be sought,

(g) none of the experts referred to under the section headed "— G. Other Information — 7. Qualifications of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group, and

(h) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of our share capital have any interests in the 5 largest customers (by revenue contribution) or the 5 largest suppliers of our Group (by purchase amount) during the Track Record Period.

F. POST-IPO SHARE OPTION SCHEME

A summary of the principal terms of the Post-IPO Share Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by written resolutions of our sole Shareholder on April 9, 2019 is as follows. The following summary does not form, nor is intended to be, part of the Post-IPO Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Post-IPO Share Option Scheme.

1. Purpose

The purpose of the Post-IPO Share Option Scheme is to motivate Eligible Persons (as set out in paragraph 2 below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Eligible Persons

Our Board may, at its sole discretion, invite any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an Associate (as defined under the Listing Rules) of any of the foregoing persons (together, the "**Eligible Persons**" and each an "**Eligible Person**").

3. Conditions and administration

The Post-IPO Share Option Scheme shall come into effect on the Listing Date, subject to:

(a) the Listing Approval being granted in respect of the Shares to be issued upon the exercise of the options which may be granted under the Post-Share Option Scheme; and

(b) the commencement of dealings in the Shares on the Main Board of the Stock Exchange. The Post-IPO Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Post-IPO Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of Post-IPO Share Option Scheme) be final and binding on all parties thereto. Our Board may delegate any or all of its powers in relation to the Post-IPO Share Option Scheme to any of its committees.

4. **Determination of eligibility**

(a) Our Board may, at its absolute discretion, offer to grant to any Eligible Person (a "***Grantee***") an option to subscribe for Shares under the Post-IPO Share Option Scheme.

(b) The basis of eligibility of any Eligible Person to the grant of any options shall be determined by our Directors from time to time on the basis of their contributions to the development and growth of our Group.

(c) For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless the Directors otherwise determine, be construed as a grant of options under the Post-IPO Share Option Scheme.

(d) An Eligible Person or Grantee shall provide our Board such information and supporting evidence as our Board may in its absolute discretion request from time to time (including, without limitation, before the offer of a grant of option, at the time of acceptance of a grant of option, and at the time of exercise of an option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or Grantee or that of his Associates or for purposes in connection with the terms of an option (and the exercise thereof) or the Post-IPO Share Option Scheme and the administration thereof.

5. **Duration**

The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Listing Date. However, our Shareholders in general meeting may by resolution at any time terminate the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Post-IPO Share Option Scheme.

6. **Grant of options**

On and subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time within a period of 10 years commencing on the Listing Date to offer the grant of any option to any Eligible Person as the Board may in its absolute discretion select, and on acceptance of the offer, grant such part of the option as accepted to the Eligible Person.

Subject to the provisions of the Post-IPO Share Option Scheme, our Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the option) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the option in respect of all or some of the Shares which the option relates shall vest.

An offer of the grant of an option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favor of our Company of HK$1 by way of consideration for the grant thereof is received by our Company within the period specified in the letter containing the offer of the grant of the option. Once such acceptance is made, the option shall be deemed to have been granted and to have taken effect from the offer date.

7. **Subscription price of Shares**

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of Share;

(b) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with paragraph 13 of this section.

8. **Exercise of options**

(a) An option shall be exercised in whole or in part by the Grantee according to the procedures for the exercise of options established by our Company from time to time. Every exercise of an option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such option.

(b) An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option or purport to do so. Any breach of the foregoing shall entitle our Company to cancel, revoke or terminate any outstanding option or part thereof granted to such Grantee without any compensation.

(c) Subject to paragraph 8(e) and any conditions, restrictions or limitations imposed in relation to the particular option pursuant to the provisions of paragraphs 6, 10 or 11 and subject as hereinafter provided, an option may be exercised at any time during the option period, provided that:

(i) if the Grantee (being an individual) dies or becomes permanently disabled before exercising an option (or exercising it in full), he (or his legal representative(s)) may exercise the option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;

(ii) in the event of the Grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant Option Period;

(iii) in the event of the Grantee ceasing to be an Executive by reason of his transfer of employment to an affiliate company of our Company, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

(iv) in the event of the Grantee ceasing to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time, transfer of employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(v) in the event of the Grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(vi) (1) if a Grantee being an executive director of ceases to be an Executive but remains a non-executive director, his option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or (2) if a Grantee being a non-executive director of our Company ceases to be a director (aa) by reason of non-executive director retirement, his option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless our Board in its absolute discretion otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as the Board has determined; or (ab) for reasons other than non-executive director retirement, the option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(vii) if (1) our Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or (2) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the option or which were the basis on which the option was granted, the option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (1)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (2)) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/noncompliance. In the case of (1), a resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph shall be final and conclusive;

(viii) if a Grantee (being a corporation) (1) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the Grantee; or (2) has suspended ceased or threatened to suspend or cease business; or (3) is unable to pay its debts (within the meaning of section 178 of the Companies Ordinance or any similar provisions under the Cayman Islands Companies Law, as amended from time to time); or (4) otherwise becomes insolvent; or (5) suffers a change in its constitution, directors, shareholding or management which in the opinion of our Board is material; or (6) commits a breach of any contract entered into between the Grantee or his Associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(ix) if a Grantee (being an individual) (1) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent; or (2) has made any arrangements or compositions with his creditors generally; or (3) has been convicted of any criminal offense involving his integrity or honesty; or (4) commits a breach of any contract entered into between the Grantee or his Associate and any member of our Group, the option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the Grantee's option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the Grantee shall be entitled to exercise the option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(xi) in the event of a notice being given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to convene the general meeting, give notice thereof to all Grantees and thereupon, the Grantees (or their respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company (such notice to be received by our Company not later than 2 business days prior to the proposed general meeting of our Company) exercise the Post-IPO Share Option (to the extent that it has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Subscription Price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid; and

(xii) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the Grantees who have unexercised options at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (1) the option period; (2) the period of two months from the date of such notice; and (3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his option. Except insofar as exercised in accordance with this paragraph 8(c)(xii), all options outstanding at the expiry of the relevant period referred to in this paragraph 8(c)(xii) shall lapse. Our Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any Grantee to exercise an option at any particular date, our Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular option pursuant to the provisions of paragraph 6 and/or deem the right to exercise the option in respect of the Shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular option such right shall not have then vested.

(d) The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of our Memorandum and Articles of Association in force from time to time and shall rank *pari passu* in all respects with the then existing fully-paid Shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an option pursuant to the Post-IPO Share Option Scheme.

(e) Our Company is entitled to refuse any exercise of an option if such exercise is not in accordance with the terms of the Post-IPO Share Option Scheme or the procedures for exercise of options established by our Company from time to time or if such exercise may cause our Company to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or other jurisdiction where applicable or the Listing Rules or any rules governing the Listing of the Shares on a Stock Exchange.

9. **Lapse of options**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise relaxed or waived (conditionally or unconditionally) by our Board:

(a) the expiry of the option period;

(b) the expiry of any of the periods referred to in paragraph 8(c);

(c) (subject to paragraph 8(c)(xi)) the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgement, order or award outstanding against the Grantee or our Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraphs 8(c)(viii), 8(c)(ix) or paragraph 9(d); or

(f) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any option, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

10. **Maximum number of shares available for subscription**

The maximum number of Shares to be issued upon exercise of all options which may be granted under the Post-IPO Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 10% of the Shares in issue immediately after completion of the Capitalization Issue and Global Offering and as of the Listing Date (the "**Scheme Mandate Limit**") (assuming the Over-Allotment Option is not exercised, the maximum number of Shares upon exercise of all Post-IPO Share Options shall be 36,000,000 Shares), provided that our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the scheme mandate limit, except that the maximum number of Shares to be issued upon exercise of all options which may be granted under the Post-IPO Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 10% of the Shares in issue as of the date of approval by our Shareholders in general meeting where such limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes (including those outstanding, canceled, and lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other share option schemes or exercised options under the said schemes of the Company) shall not be counted for the purpose of calculating the limit as refreshed. Our Company shall send a circular containing the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules to our Shareholders. In addition, our Company may seek separate approval from our Shareholders in general meeting for granting options beyond the scheme mandate limit, provided that the options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by our Company before such approval is sought and for whom specific approval is obtained. Our Company shall issue a circular to our Shareholders containing the information required under Rule 17.03(3) of the Listing Rules.

Notwithstanding the preceding paragraph, the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme (and under any other share option schemes of our Company) shall not exceed 30%of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all options granted and which may be granted to such Eligible Person (including exercised, canceled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his Associates abstaining from voting. The applicable requirements of Rule 17.03(4) of the Listing Rules shall be complied with.

The maximum numbers set out in this paragraph 10 above shall be subject to adjustment in accordance with paragraph 11 but shall not in any event exceed the limits imposed by Chapter 17 of the Listing Rules.

11. **Maximum number of shares per grantee who is a core connected person**

Each grant of options to a director, chief executive or substantial shareholder of our Group or any of their respective close associates under the Post-IPO Share Option Scheme shall be approved by Independent Non-executive Directors of the Company (excluding the Independent Non-executive Director of our Company who is the proposed Grantee of the option). Where any grant of options to a substantial shareholder or an independent non-executive director of our Group or any of their respective close associates would result in the securities issued and to be issued upon exercise of all options already granted and which may be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by our Shareholders.

Our Company shall send a circular to our Shareholders containing the information required under Rule 17.04 of the Listing Rules. All connected persons of our Company shall abstain from voting in favor at such general meeting and may be entitled to vote against the relevant resolution provided that his or her intention to do so has been stated in the circular to be sent to our Shareholders. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

12. **Cancellation of options**

Our Board shall be entitled for the following causes to cancel any option in whole or in part by giving notice in writing to the Grantee stating that such option is thereby canceled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the Grantee commits or permits or attempts to commit or permit a breach of paragraphs 4(d) or 8(b) of the sub-section in this Appendix or any terms or conditions attached to the grant of the option;

(b) the Grantee makes a written request to our Board for, or agrees to, the option to be canceled; or

(c) if the Grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case. Where our Company cancels an option held by a Grantee and issues new options to the same Grantee, the issue of such new options may only be made under the Post-IPO Share Option Scheme with available unissued options (excluding the canceled option) within the limit approved by the Shareholders set out in paragraph 10 of this section (so long as our Company remains a Subsidiary of our Company) and, subject to the maximum number of Shares available for subscription referred to in paragraph 10 of this section.

13. **Reorganization of capital structure**

In the event of any change in the capital structure of our Company while any option may become or remains exercisable, whether by way of a capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the number of Shares subject to outstanding options;

(b) the subscription price of each outstanding option; and/or

(c) the number of Shares subject to the Post-IPO Share Option Scheme.

Where our Board determines that adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors or the independent financial advisors (as our Board may select) shall certify in writing to our Board that any such adjustments to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules (as amended from time to time) and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes, provided that:

(a) the aggregate percentage of the issued share capital of our Company available for the grant of options shall remain as nearly as possible the same as it was before such change but shall not be greater than the maximum number prescribed by the Listing Rules from time to time;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issues relating to share option schemes) for which any Grantee is entitled to subscribe pursuant to the options held by him shall remain the same as (but shall not be greater than) that to which he was previously entitled (as interpreted in accordance with the supplementary guidance as amended from time to time).

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring an adjustment.

The capacity of the auditors or the independent financial advisors (as the case may be) in this paragraph 13 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on our Company and the Grantees. The costs of the auditors or the independent financial advisors (as the case may be) shall be borne by our Company.

14. **Distributions**

Upon distribution by our Company to holders of the Shares of any cash or in specie of assets (other than dividends in the ordinary course) (the "**Distribution**"), may make a downward adjustment to the subscription price of any option granted but not exercised as of the date of such Distribution by an amount which our Board considers as reflecting the impact such Distribution will have or will likely to have on the trading price of the Shares provided that (a) our Board's determination of any adjustments shall be final and binding on all Grantees; (b) the amount of adjustment shall not exceed the amount of such Distribution to be made to our Shareholders; (c) such adjustment shall take effect on or after the date of such Distribution by our Company; (d) any adjustment provided for in this paragraph 14 shall be cumulative to any other adjustments contemplated under paragraph 13 or approved by our Shareholders in general meeting; and (e) the adjusted Subscription Price shall not, in any case, be less than the nominal value of the Shares.

15. **Share Capital**

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, our Board shall make available sufficient authorized but unissued share capital of our Company to meet subsisting requirements on the exercise of options.

16. **Disputes**

Any dispute arising in connection with the Post-IPO Share Option Scheme (whether as to the number of Shares, the subject of an option, the amount of the subscription price or otherwise) shall be referred to the auditors or the independent financial advisors (as the case may be) for decision, who shall act as experts and not as arbitrators and whose decision shall be final and binding.

17. **Alteration of the Post IPO-Share Option Scheme**

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Post-IPO Share Option Scheme);

(b) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules;

(c) any change to the authority of our Directors in relation to any alteration to the terms of the scheme; and

(d) any alteration to this paragraph 17,

provided always that the amended terms of the Post-IPO provided always that the amended terms of the Post-IPO Share Option Scheme shall comply with the applicable requirements of Chapter 17 of the Listing Rules.

18. **Termination**

Our Company by resolution in general meeting may at any time terminate the operation of the Post-IPO Share Option Scheme. Upon the expiry or termination of the Post-IPO Share Option Scheme as aforesaid, no further options shall be offered but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect. All options granted prior to such expiry or termination (as the case may be) and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

G. OTHER INFORMATION

1. **Litigation**

Except as disclosed in this Prospectus, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

2. **Preliminary expenses**

Our preliminary expenses are estimated to be US$6,415 and were paid by us.

3. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Within the 2 years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this Prospectus.

4. **Application for Listing**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering as mentioned in this Prospectus and any Shares which may be issued upon exercise of the Over-Allotment Option or the Post-IPO Share Options. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

5. **No material adverse change**

Our Directors have confirmed that there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2018, the date of the latest audited consolidated financial statements of our Group up to the date of this Prospectus.

6. **Agency fees and commissions received**

The Underwriters will receive an underwriting commission as referred to in "Underwriting — Underwriting Arrangements and Expenses — Underwriting commission and Expenses."

7. **Qualification of experts**

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this Prospectus are as follows:

Name	Qualifications
BOCOM International (Asia) Limited	Licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants, Hong Kong
Blair Sterling Johnson & Martinez, P.C.	Qualified attorneys-at-law in the CNMI and Guam
Conyers Dill & Pearman	Qualified attorneys-at-law in the Cayman Islands
Savills Valuation and Professional Services (S) Pte Ltd	Property valuer
Frost & Sullivan Limited	Independent industry and market data research agency
Arnett Consulting, LLC	Certified public accountants, the U.S.

8. **Consents**

Each of the experts listed in the preceding paragraph has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports, letters, opinion and/or the references to their names included herein in the form and context in which they are respectively included. Each of the experts' statements has been made on the date of this Prospectus and was made by such expert for incorporation in this Prospectus.

9. **Binding effect**

This Prospectus shall have the effect, if an application is made in pursuance of this Prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. **Miscellaneous**

Except as otherwise disclosed in this Prospectus:

(a) within the 2 years immediately preceding the date of this Prospectus, no share or loan capital of our Company or of any of our principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash,

(b) within the 2 years immediately preceding the date of this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries,

(c) within the 2 years immediately preceding the date of this Prospectus, no commission has been paid or is payable (except commissions to the Underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company,

(d) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares,

(e) no share or loan capital of our Company or any of our consolidated subsidiaries is under option or is agreed conditionally or unconditionally to be put under option,

(f) none of the parties (except in connection with the Underwriting Agreements) listed in "— G. Other information — 7. Qualification of experts" above,

   (aa) is interested legally or beneficially in any securities of any member of our Group, or

   (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group,

(g) no company within our Group is presently listed on any stock exchange or traded or any trading system,

(h) there is no arrangement under which future dividends are waived or agreed to be waived, and

(i) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus.

11. **Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

12. **Taxation of holders of our Shares**

Dealings in Shares registered on our Hong Kong Branch Share Register will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from dealings in the Shares derived by persons carrying on a business of trading or dealings in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. See "Laws, Regulations and Taxation" for further details of taxation applicable to acquiring, dealing in and disposing of our Shares.

Chairman Tan and Dr. Henry Tan, each a Controlling Shareholder, have entered into the Deed of Indemnity in favor of our Company (on our own behalf and as trustee for each of our subsidiaries) on April 9, 2019, pursuant to which they have, among others, agreed and undertaken, jointly and severally, with our Company to indemnify our Group and at all times keep us fully indemnified on demand from and against all taxation falling on any member of our Group resulting from, or by reference to, any income, profit or gains earned, accrued or received and/or business and/or assets acquired before the date on which the Global Offering becomes unconditional.

13. **Bilingual Prospectus**

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

14. **Independence of the Sole Sponsor**

BOCOM International (Asia) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (1) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, (2) copies of each of the material contracts referred to in paragraph (n) of this Appendix, and (3) the written consents referred to in paragraph (m) of this Appendix.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Deacons, 5th Floor Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum and Articles of Association,

(b) the Accountant's Report on our Group for the 3 financial years ended December 31, 2018 issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus,

(c) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this Prospectus,

(d) the audited consolidated financial statements of our Group for the 3 financial years ended December 31, 2018,

(e) the letter of advice issued by Conyers Dill & Pearman, our legal advisers as to Cayman Islands laws, summarizing certain aspects of Cayman Islands company law referred to in Appendix IV to this Prospectus,

(f) the legal opinion issued by Blair Sterling Johnson & Martinez, P.C., our CNMI and Guam Legal Adviser, in respect of the Listing, our operations and other general corporate matters,

(g) the letter issued by Blair Sterling Johnson & Martinez, P.C., our CNMI and Guam Legal Adviser, summarizing certain laws and regulations in the CNMI and Guam applicable to us as referred to in "Laws, Regulations and Taxation",

(h) the letter issued by Arnett Consulting, LLC, our Tax Adviser, in respect of the taxation in the CNMI and Guam applicable to us and our Shareholders as referred to in "Laws, Regulations and Taxation",

(i) an independent market research report on the leisure tourism industry in Saipan and Guam commissioned by our Company and prepared by Frost & Sullivan Limited, our Industry Consultant, for the purpose of this Prospectus as referred to in "Industry Overview",

(j) the Cayman Islands Companies Law,

(k) the letter, summary of values and valuation certificate prepared by Savills Valuation and Professional Services (S) Pte Ltd, our Property Valuer, the text of which is set out in Appendix III to this Prospectus,

(l) the fair rent letter issued by Savills Valuation and Professional Services (S) Pte Ltd in respect of certain properties leased to/from our connected persons as referred to in "Continuing Connected Transactions",

(m) the written consents as referred to in "Appendix V — Statutory and General Information - G. Other Information — 8. Consents",

(n) the material contracts as referred to in "Appendix V — Statutory and General Information - C. Further Information about our Business — 1. Summary of Material Contracts",

(o) the service agreements and letters of appointment as referred to in "Appendix V — Statutory and General Information — D. Further Information about our Directors, Chief Executive and Substantial Shareholders — 2. Directors' Service Contracts and Letters of Appointment",

(p) the rules of the Post-IPO Share Option Scheme, and

(q) this Prospectus.