



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

ANNUAL
REPORT
2019



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In case of any inconsistency between the English version and the Chinese version of this annual report, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. TAN Henry, *BBS, JP (Vice Chairman and CEO)*
Mr. CHIU George
Mrs. SU TAN Jennifer Sze Tink
Mr. SCHWEIZER Jeffrey William

Non-Executive Directors

Dr. TAN Siu Lin, *SBS (Chairman)*
Mr. TAN Willie

Independent Non-Executive Directors

Prof. CHAN Pak Woon David
Mr. MA Andrew Chiu Cheung
Mr. CHAN Leung Choi Albert

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, *BBS, JP*

NOMINATION COMMITTEE

Prof. CHAN Pak Woon David *(Chairman)*
Mr. CHAN Leung Choi Albert
Dr. TAN Henry, *BBS, JP*

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. TAN Siu Lin, *SBS*

COMPANY SECRETARY

Ms. CHEUNG Pik Shan Bonnie

AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. TAN Henry, *BBS, JP*
Ms. CHEUNG Pik Shan Bonnie

COMPLIANCE ADVISER

Elstone Capital Limited

Suite 1612, 16/F
West Tower, Shun Tak Centre
168-200 Connaught 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

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants
22nd Floor
Prince's Building
Central, Hong Kong

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

5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Hawaii, Hagatna Branch

Bank of Hawaii, Gualo Rai Branch

First Hawaiian Bank, Gualo Rai Branch

The Hongkong and Shanghai Banking Corporation Limited

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 and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

Financial Calendar and Investor Relation Information

Announcement of 2019 Final Results	March 26, 2020	
Announcement of 2019 Interim Results	August 26, 2019	
Dividends	2019 Final 2019 Interim	US0.28 cent (equivalent to HK2.19 cents) per Share Nil
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting	Period from May 28, 2020 to June 2, 2020	
Closure of Register of Members for ascertaining shareholders' entitlement to receive the proposed final dividend	Period from June 8, 2020 to June 10, 2020	
Date of Annual General Meeting in 2020	June 2, 2020	
Listing Date	May 16, 2019	
Authorized Shares	500,000,000 shares	
Issued Shares	360,000,000 shares (as at December 31, 2019)	
Website address	www.saileisuregroup.com	
Stock Code	1832	
Board Lot	1,000 shares	
Financial Year End	December 31	

Key Financial Highlights

	2019	2018
	US\$'000	US\$'000
Revenue	98,699	100,178
Operating profit	10,580	12,419
Profit attributable to owners of the Company	10,100	11,694
As a percentage of revenue	10.2%	11.7%
Basic earnings per share (US cents)	3.1	4.3
Dividend per share		
— Final (US cent)	0.28	—
— Interim	—	—
Equity		
Attributable to owners of the Company	102,229	53,516

Chairman's Statement



Dear Shareholders,

It is my pleasure to present the annual report of S.A.I. Leisure Group Company Limited (the **"Company"**) and its subsidiaries (collectively, the **"Group"**) for the financial year ended December 31, 2019 (the **"Year"**). This is the first annual report of the Group since the Company's listing (the **"Listing"**) of its shares (the **"Shares"**) on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**) on May 16, 2019 (the **"Listing Date"**).

OVERVIEW

The Group is one of the leading leisure tourism groups in the tropical islands of Saipan and Guam, territories of the United States of America (**"U.S."**) located in the Western Pacific Region. Founded in 1997, the Group strives to offer leisure travelers memorable and unique holiday experiences encompassing "Sea, Air and Island".

The Group operates a diversified and full-range leisure tourism business that is segmented into three business segments: (1) operation of hotels and resorts in Saipan and Guam (the **"Hotels & Resorts Segment"**), (2) sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii (the **"Luxury Travel Retail Segment"**) and (3) provision of destination activities in Saipan including the operation of souvenir and convenience stores, excursion tours and provision of land arrangement and concierge services (the **"Destination Services Segment"**).

Under the Hotels & Resorts Segment, the Group currently operates and manages four hotels and resorts in Saipan and Guam. During the Year, the four hotels and resorts have an average occupancy rate of 90.2%. In the hotels and resorts industry of Saipan, the Group held a 34.6% market share in terms of revenue and a 37.4% share in terms of number of rooms sold during the Year.

The Group has always committed to provide diversified travel experiences to our travelers. Our Luxury Travel Retail Segment carries nine world-renowned brands of luxurious and leisure clothing, leather goods and fashion accessories. For five of these brands, we are the only retail operator which sells and markets their products in Saipan, Guam and/or Hawaii on a franchised boutique store model. We operate a total of 17 boutique stores in Saipan, Guam and Hawaii, each of which houses a single brand and is a stand-alone concept store offering travelers genuine shopping experiences. Besides, our Destination Services Segment operates land arrangement services and three distinct excursion tours in Saipan. The full-range and one-stop offering of tourism products and services cater to the end-to-end holiday experience of all walks of travelers, and we extract synergies from the combined operations of our complementary business segments.

The Group strives to maintain and further our market leadership, particularly in the hotels and resorts industry in Saipan and Guam. While we continue to improve the quality of our hospitality services, we will also continue to seek to diversify our tourist origin markets by supporting the local government of Saipan in exploring new travel experience and actively promoting excursion tours of Saipan and other islands located in Western Pacific Region in all of our tourist origin markets.

BUSINESS DEVELOPMENT

2019 is an important year for the Group. During the Year, we had two major achievements which laid a solid foundation for the future development and the business growth of the Group.

Leveraging on our extensive operating experiences, deeply rooted in the local leisure tourism market and eminent brand reputation, the Company has successfully listed its Shares on the Main Board of the Stock Exchange in May 2019. Hong Kong is a renowned international financial center and is an important gateway to bridge mainland China to the international market. We believe that the Listing reinforces the visibility and awareness of our leisure tourism business in Saipan and Guam, further enhances the brand image of "S.A.I. Leisure Group", introduces strategic investors and allows us to better access the capital markets for future fund raising needs.

Chairman's Statement

After the successful Listing, we attained another milestone in September 2019 by entering into a hotel management agreement for Fiesta Resort Guam (a hotel owned and operated by the Group in Guam) with a subsidiary of InterContinental Hotels Group PLC (the group of companies under InterContinental Hotels Group PLC, the **"InterContinental Hotels Group"**), one of the leading international hospitality chains. Since October 15, 2019, Fiesta Resort Guam has been managed by the InterContinental Hotels Group and has access to the worldwide reservation system and loyalty programs administered by the InterContinental Hotels Group. This strategic move enables the Group to reach out to a wider and more premium customer base, which upgrades our hotel's branding, and is a great step towards optimizing our hotels and resorts business. The collaboration between the Group and the InterContinental Hotels Group bolsters our market share in the dynamic tourism market, adjusts our marketing strategies and distribution channels, and further refines the service standards of the Group and other hospitality market operators in Guam. We are currently in the process of implementing the asset rejuvenation plan for Fiesta Resort Guam, which costs over US\$25 million. The plan includes the renovation of the banquet hall, restaurants, fitness center and guest rooms of the hotel. We are on track to rebrand our Fiesta Resort Guam to "Crowne Plaza Guam" by the end of the second quarter of 2021.

For our Luxury Travel Retail Segment, the Group has successfully launched new boutiques under a French luxury fashion brand in Saipan and Guam in April 2019 and August 2019, respectively.

The Group was once a local family business, but we have now grown to be a diversified and multinational business. Nevertheless, we have always believed in the principle of "taking from the society, contributing to the society". Since we first started our family businesses in 1972, we have had an inseparable connection with the community of Saipan and Guam, which laid a solid foundation for the robust growth of the Group's business. From 1997 when we started our leisure travel business, we have been collaborating with the local governments and witnessed the development of Saipan and Guam into distinctive holiday destinations. Leveraging on our extensive knowledge of the local markets and business networks, as well as our established long-term relationship with the local governments, the Group has benefited and will continue to benefit from being the pioneer of the industry. With the implementation of effective marketing strategies and continuous improvement of our operation efficiency, we have secured our leading position in the market. This will enable us to generate sustainable growth for our business in the coming years.



GOING FORWARD

Looking ahead, the global tourism industry faces immense challenges in 2020 due to the impact of the global outbreak of Coronavirus Disease 2019 (“**COVID-19**”). Nevertheless, the Group will uphold the Tan family motto of “integrity and diligence”, tackle all challenges vigilantly and brave forward. We will continue to implement our business plans to further enhance the image, recognition and market reputation of our “S.A.I. Leisure Group” brand. We will also seize market opportunities to achieve long-term and sustainable business growth, and will continuously strengthen our position as market leader. As always, the Group will maintain high quality operation management and closely monitor the asset rejuvenation plan of our hotels. In addition, we will actively explore collaboration opportunities with renowned brands in order to further develop our luxury travel retail business, expand the network of our boutique stores and boost the development of the Group.

Last but not least, I would like to extend my sincere gratitude to our management and staff for their commitment and hard work during the Year. I would also like to thank our shareholders and customers for their continuous support to and confidence in the Group.

S.A.I. Leisure Group Company Limited
Dr. TAN Siu Lin, SBS
Chairman

Hong Kong, March 26, 2020





MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

BUSINESS OVERVIEW

2019 was a challenging year for Saipan. During the Year, the total number of tourist arrivals to Saipan has declined by 6% when compared to that of the preceding year. The Saipan community continues to recover in a steady pace after the sweep of Super Typhoon Yutu in October 2018. Damage to the facilities of Saipan International Airport severely impacted air travels and tremendously reduced the number of tourist arrivals to Saipan during the first half of the Year.

South Korea is one of the largest sources of overseas tourists in Saipan. After Super Typhoon Yutu struck, the number of tourist arrivals from South Korea once dropped by 50%. However, with the gradual resumption of routine flight schedules by certain airlines in the second quarter of the Year, the number of tourist arrivals from South Korea steadily restored and had an overall increase of 4% when compared to the preceding year. On the other hand, the launch of daily direct flights between Japan and Saipan by a Japanese carrier at the end November 2019 marked the return of tourists from the Japan market. During the Year, the Marianas Visitors Authority (“MVA”) has prioritized marketing and promotion strategies locally in Japan, which enticed more Japanese travelers to spend their holidays on the Pacific islands. Meanwhile, the Sino-US tension in 2019 weakened the travel sentiment of tourists from mainland China during the Year. In addition, the unrest in Hong Kong has created reluctance for travelers from South China to fly to Saipan via Hong Kong. As a result, the number of tourist arrivals from mainland China dropped by 14.1%, hence reducing the overall number of tourist arrivals to Saipan during the Year.

On the contrary, 2019 was a fruitful year for Guam. With the rise of low-cost carriers, the tourist origin markets for Guam continued to diversify. Guam had attained a record-breaking number of tourist arrivals with over 1.6 million tourists during the Year. The recovery of the Japan market contributed a big portion to the rise of the tourist arrivals number and, together with South Korea, the two countries became the largest sources of overseas tourists in Guam. The upturn in tourist arrivals vitalized both the hospitality industry and the retail industry across the territory.

REVENUE AND OPERATING PROFIT

For the Year, the Group recorded a revenue of US\$98.7 million, representing a decrease of US\$1.5 million or 1.5% from US\$100.2 million in the preceding year. The total revenue from our Saipan businesses across the three business segments (Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment) dropped by US\$4.0 million as a result of the decline in the number of tourist arrivals to Saipan. Such downturn was offset by the progressive performance of our Guam and Hawaii businesses which contributed a growth in revenue of US\$1.7 million and US\$0.8 million, respectively.

The operating profit of the Group for the Year was US\$10.6 million, representing a decrease of US\$1.8 million when compared to the preceding year. The segment margin of our Hotels & Resorts Segment was reduced by 0.7% due to the lowering of the average room rate of our Saipan hotels. The Luxury Travel Retail Segment has achieved an improved segment margin, which marked our continuous effort in improving the profit margin of the business. Furthermore, the segment margin of our Destination Services Segment was also abated by US\$0.7 million as a result of the decline in tourist arrivals to Saipan and the competition with unregulated travel agencies, who have introduced over-discounted activity options to the market.

Performance of the Group’s business is covered in more detail under the “Segmental Review” section below.

SEGMENTAL REVIEW

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 65.6%, 30.7% and 3.7% of the Group’s total revenue for the Year respectively.

Hotels & Resorts Segment

During the Year, revenue generated from the Hotels & Resorts Segment was approximately US\$64.7 million, representing a decrease of 2.8% as compared with the revenue of US\$66.6 million in the preceding year. Segment margin dropped by 0.7% as a result of reduced revenue and such decrease was mainly contributed by our hotels in Saipan.

Management Discussion and Analysis

Saipan

The impression of Super Typhoon Yutu's serious damage to the airport facilities and the community dampened the travel sentiment to Saipan during the Year. With the decrease in the number of tourist arrivals to Saipan, the average room rate of our hotels was lowered by 3.6% as compared to the preceding year in order to maintain our hotels' competitiveness and thus lowered both the revenue and the segment margin.

Guam

For the Year, the revenue from Fiesta Resort Guam increased by 3.8% as compared to the preceding year as a result of enhanced room rate after the hotel became part of the InterContinental Hotels Group's distribution system. The InterContinental Hotels Group has taken over the management of the hotel with effect from mid-October 2019. As such, the room rates of the hotel for the last two months of the Year have increased by 7.1% and 11.5% respectively, when compared to that of the same months in the preceding year.

Despite the fact that service and management fees were paid or payable to the InterContinental Hotels Group under the relevant Hotel Management Agreement, the segment margin of Fiesta Resort Guam remained stable as compared to the preceding year. The Group benefits from the use of the InterContinental Hotels Group's booking engines and enjoys the InterContinental Hotels Group's marketing and operational support. Strategies are adjusted to optimize our sales channels and business mix, which grows our average room rate, enhances customers' loyalty and reduces the cost of sales and reliance on wholesales agents.



Management Discussion and Analysis

Luxury Travel Retail Segment

During the Year, revenue from the Luxury Travel Retail Segment was US\$30.3 million, representing an increase of 4.5% as compared to US\$29.0 million in the preceding year. The increase was mainly contributed by (1) an increase in revenue of US\$1.0 million as a result of increased tourist arrivals to Guam from Japan and South Korea, who have higher spending power; and (2) an increase in revenue of US\$0.8 million from our three boutiques in Hawaii operating under an American leisure accessories brand. After we acquired the Hawaii business with five boutiques in April 2018, we ceased the operation of two of the boutiques in May 2019 upon the expiry of their leases for commercial reasons. The improved results of Guam and Hawaii were partially offset by the slight downturn in Saipan due to the carryover of the impacts of Super Typhoon Yutu.

The segment profit margin of the Luxury Travel Retail Segment increased by 0.7% as compared to the preceding year, marking our continuous effort in improving the profit margin of the business. Segment profits by geographical location fluctuated in the same manner as the revenue during the Year.

During the Year, we have successfully launched new boutiques under a French luxury fashion brand in Saipan and Guam.



Management Discussion and Analysis

Destination Services Segment

During the Year, revenue from the Destination Services Segment was US\$3.7 million, representing a decrease of US\$0.9 million or 19.6% as compared with US\$4.6 million in the preceding year. The decrease was mainly due to the decline in the number of tourist arrivals to Saipan and the competition with unregulated travel agencies, who have introduced over-discounted activity options to the market. The segment profit fluctuated in the same manner as the revenue during the Year.



ACQUISITIONS

The luxury travel retail business is one of the principal activities of the Group. In order to enlarge the Group's equity interests and control in its luxury travel retail business, which saw a consistent revenue growth following its expansion in Saipan, Guam and Hawaii, on September 3, 2019, S.A.I. CNMI Tourism Inc. ("**S.A.I. CNMI Tourism**") and S.A.I. Guam Tourism Inc. ("**S.A.I. Guam Tourism**"), both wholly-owned subsidiaries of the Company, entered into sale and purchase agreements ("**SPAs**") with Mr. Hawes Richard Mark, a connected person of the Group at subsidiary level, to acquire 5% of the issued share capital in each of Gemkell (Saipan) Corporation ("**Gemkell Saipan**") and Gemkell Corporation ("**Gemkell Guam**"), respectively ("**Acquisitions**") at a cash consideration of US\$300,000 in aggregate. Gemkell Saipan and Gemkell Guam are both subsidiaries of the Company which engage in the Group's luxury travel retail activities in Saipan, Guam and Hawaii.

Upon completion of the Acquisitions, both Gemkell Saipan and Gemkell Guam are each held as to 80% indirectly by the Company through S.A.I. CNMI Tourism and S.A.I. Guam Tourism and as to 20% by Mr. Hawes. Each of Gemkell Saipan and Gemkell Guam continues to constitute a subsidiary of the Company.

Having taken into account factors such as market outlook and future earnings potentials, the Board believes that the Acquisitions are in the interests of the Company and the shareholders of the Company ("**Shareholders**") as a whole.

Management Discussion and Analysis

Details of the SPAs and the Acquisitions contemplated thereunder have been disclosed in the announcement of the Company dated September 3, 2019.

SUBSEQUENT EVENTS

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures (including but not limited to travel bans) have been implemented by government authorities around the world.

Since early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from our key tourist origin markets. Coupled with the dampened global travel sentiment, there has been a sharp decline in the number of tourists travelling to Saipan and Guam. Since then, the Group has implemented various cost-cutting measures in respect of our hotels and resorts business operations, including the reduction of headcount, managing the opening hours of restaurants and bars and reducing operational expenses where possible.

Towards the end of March 2020, the governments of the Commonwealth of the Northern Mariana Islands ("**CNMI**") and Guam have both implemented various measures to curb the spread of the COVID-19, which have further impact on the Group's business operations:

- In Saipan, government measures include but are not limited to mandatory 14-day self-quarantine for all persons travelling into the CNMI, limitation of opening hours for businesses with facilities open to the general public (only allowed from 6:00 a.m. to 1:00 p.m.), and restriction on dine-in services for restaurants. While room accommodation can still be provided, hotel restaurants can only provide room service and take-out. As of the date of this annual report, the Governor of the CNMI has ordered the relevant measures to be in force until April 14, 2020 unless otherwise lifted.
- In Guam, government measures include but are not limited to mandatory 14-day quarantine for travelers from countries with confirmed cases of COVID-19, closure of places of business or public accommodation, and prohibition of gatherings in all public venues including restaurants and bars. As of the date of this annual report, the Governor of Guam has ordered the relevant measures to be in force until April 13, 2020, subject to the development of the situation.

In late March 2020, the Group's management has made several major decisions in respect of its business operations in order to mitigate the negative financial and operational impacts of COVID-19, including but not limited to the following:-

- Hotels & Resorts Segment: The temporary suspension of operation of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel with effect from March 29, 2020, April 2, 2020 and March 29, 2020 respectively, until further notice.
- Luxury Travel Retail Segment: The temporary suspension of operation of all luxury travel retail boutiques in Saipan, Guam and Hawaii with effect from March 23, 2020, March 20, 2020 and March 23, 2020, respectively, until further notice.
- Destination Services Segment: The temporary suspension of destination services in Saipan with effect from March 29, 2020, until further notice.

As the duration of the COVID-19 outbreak is uncertain, the extent of its impact on the Group's operations and financial performance cannot be determined as at the date of this annual report. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and make announcement(s) as and when necessary.

Management Discussion and Analysis

FUTURE PLANS AND MARKET PROSPECTS

The global tourism industry faces significant challenge in 2020 due to the impact of the outbreak of COVID-19.

Hotels & Resorts Segment

As mentioned above, we have decided to temporarily suspend operations of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel. Management will closely monitor the situation and will reopen our hotels as soon as the virus is under better control locally and when the local regulations and market conditions allow us to reopen.

In respect of our Kanoa Resort in Saipan, the Group has entered into an emergency contract with the CNMI Homeland Security and Emergency Management on March 25, 2020 to provide all of its hotel rooms, facilities and meal services to persons subject to the mandatory 14-day quarantine requirement upon their arrival in Saipan. Under the emergency contract, the Group will receive various fees for the services to be provided to the government of the CNMI. The contract will last for 90 days from the date of signing of the emergency contract, subject to adjustment by the CNMI Homeland Security and Emergency Management. The Company expects that revenue from Kanoa Resort during the period of the emergency contract will not be lower than that of the same period in the preceding year.

Depending on the development of the COVID-19 outbreak, the CNMI Homeland Security and Emergency Management may also require the services of Century Hotel. If so, the Group may enter into an emergency contract similar to that for Kanoa Resort in respect of Century Hotel.

As of the date of this annual report, we expect the leisure travel market to gradually resume in the third quarter of 2020. We hope to take advantage of a potentially strong recovery of the market due to people's general pent-up desire to travel, and we plan to aggressively market ourselves in our target customer markets.

In Saipan, we are in close contact with the MVA to be ready to kick-start marketing campaigns in our tourist origin markets as soon as we have visibility on the market resumption. In the meantime, prior to the resumption of the suspended and/or reduced flights, we will maintain close communication with all agents in our target customer markets to ensure that our product information and offers are made available to consumers and thus ensure a successful business restoration towards the end of 2020.

In Guam, competition within the hospitality industry is particularly intensive with the presence of numerous internationally chained competitors. Leveraging on the extensive hotel management experiences, membership program and loyalty customer base, as well as the brand recognition of the InterContinental Hotels Group among our major target customer markets, our collaboration with the InterContinental Hotels Group bolstered our reasonable share from the dynamic market during the Year. During the outbreak of COVID-19, our partnership with the InterContinental Hotels Group has demonstrated its strength in revenue management and distribution channels, and we will continue to optimize these as the leisure travel market resumes.

The planning of our Fiesta Resort Guam renovation project is ongoing, and the construction will start in mid-2020. We are on track to rebrand our Fiesta Resort Guam to Crowne Plaza Guam by the end of the second quarter of 2021.

Management Discussion and Analysis

Luxury Travel Retail Segment

Before the outbreak of COVID-19, with the revival of the Japan market and the increasing tourist arrival numbers from South Korea, our Luxury Travel Retail Segment started year 2020 nicely with a better clientele in both Saipan and Guam.

After the outbreak of COVID-19, as mentioned above, we have decided to temporarily suspend operations of all luxury travel retail boutiques in Saipan, Guam and Hawaii. Management will closely monitor the situation and will reopen our boutiques as soon as the virus is under better control locally and when the local regulations and market conditions allow us to reopen.

In order to bolster our revenue source when the market resumes in the third quarter of 2020, the Group plans to look for expansion opportunities. In order to expand our footprint in Hawaii, management is seeking to identify strong retail spaces with good adjacencies and reasonable rental conditions for new retail stores. For Guam, management believes that the Group can improve profitability with an expansion into stronger retail spaces and thus lifting operating margins. As for Saipan, management believes that enhancing customers' overall shopping experience is another means of maximizing sales level.

Management will continue to seek to exercise better control over operating costs where possible and improve the operating margin of the business.

Other plans and prospects

On the other hand, in order to maintain our Group's long-term growth and for the best interests of our Shareholders, the Group's management will actively explore possible merger and acquisition opportunities. The Group's management believes that the downturn of the macro-economy as a result of the recent COVID-19 outbreak would increase the availability of favorable merger and acquisition deals in the market.

INVESTOR RELATIONS AND COMMUNICATIONS

The Group acknowledges the importance of communication with our Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews. Each year, an annual general meeting will be called by giving not less than 20 clear business days' notice and directors of the Company ("**Directors**") will be available at the annual general meeting to answer questions on the Group's business.

The Group encourages two-way communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases to inform investors of our latest development. The Group regularly updates its corporate information on the Company's website (www.saileisuregroup.com) in both English and Chinese on a timely basis.

CONTINGENT LIABILITIES

As at December 31, 2019 and 2018, the Group did not have any material contingent liabilities.

VALUATION OF PROPERTIES

For the purpose of the Listing, a valuation as at January 31, 2019 was conducted on the properties held by our Group in Saipan and Guam (the "**Properties**"). The Properties include premises occupied by our Group for our business operations and premises in our hotels and resorts leased to third parties on concessions in return for a rental income. The Properties were valued at US\$114.3 million in aggregate as at January 31, 2019 by Savills Valuation and Professional Services (S) Pte Ltd, as disclosed in the Prospectus published on April 30, 2019. The Properties were classified as property, plant and equipment and investment properties in the consolidated statement of financial position. As detailed in notes 2.7 and 2.9 to the consolidated financial statements, the property, plant and equipment and investment properties are carried at historical cost less depreciation and impairment loss. Accordingly, no additional depreciation would be charged to the consolidated statement of comprehensive income regardless of the changes in the market value of the Properties.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group was strong during the Year. The Group generally finances its operations with internally generated cash flows. As at December 31, 2019, the total amount of cash and bank deposits of the Group was approximately US\$56.6 million, representing an increase of approximately US\$51.8 million as compared to that as at December 31, 2018. Listing proceeds of US\$37.4 million have not been utilized and was included in the cash and bank deposits as of the end of the Year. As at December 31, 2019 and 2018, our Group has zero interest-bearing bank borrowings.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of the respective year and multiplied by 100%. As at December 31, 2019, the gearing ratio of the Group was not applicable as the Group did not have any interest-bearing liabilities (2018: Nil). The capital structure of the Group only consists of equity attributable to owners of the Company as shown in the consolidated statement of financial position.

CHARGE ON ASSETS

As at December 31, 2019 and 2018, the Group had aggregate banking facilities of US\$11.0 million and US\$11.0 million respectively, which was secured by certain buildings and investment properties owned by the Group. As all of our banking facilities were unutilized, unutilized facilities at the end of each reporting year amounted to US\$11.0 million and US\$11.0 million respectively.

FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in United States dollars ("**US Dollars**"). 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, 2019, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are also primarily denominated in US Dollars. Therefore, the Group's foreign exchange risk is insignificant.

EMPLOYEES AND EMOLUMENT POLICY

As at December 31, 2019, the Group had a total of 746 (2018: 761) full-time employees, including 523 employed in Saipan, 200 employed in Guam, 19 employed in Hawaii and 4 employed in Hong Kong. As a responsible employer, the Group values our employees as our most important asset and strives to provide an excellent working environment to our employees. We have complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to US\$25.0 million (2018: US\$24.1 million). On April 9 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group. Details of the share option scheme are set out under the heading "Share Option Scheme" in the section headed "Report of Directors" on pages 31 to 32 of this annual report.

Management Executives

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. TAN Siu Lin, SBS, ("Chairman Tan"), aged 89, has been the Chairman of the Board and a Non-Executive Director of the Company since November 2018. He founded the Group in April 1997. Chairman Tan is a prominent entrepreneur in mainland China, Hong Kong and the Western Pacific Region with over 40 years of experience in developing a diversified portfolio of business ventures. He is the honorary director of Peking University Education Foundation (北京大學教育基金會), 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 chairman of the board of Tan Siu Lin School of Business in Quanzhou Normal University (泉州師範學院陳守仁商學院). Chairman Tan is the permanent honorary director of the board of Huaqiao University (華僑大學) and the honorary consul of the Federated States of Micronesia in Hong Kong. Chairman Tan holds an honorary doctoral of laws degree from the University of Guam and has been awarded honorary university fellowships by both the Hong Kong Baptist University and the Chinese University of Hong Kong. He is also the founder, honorary life chairman and executive director of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. Chairman Tan is the father of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder), Mr. Tan Willie (a Non-Executive Director), Mr. Tan Jerry Cho Yee (a member of our senior management) and the grandfather of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Chairman Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings "Directors' and Chief Executives' Interest in Shares" in the section headed "Report of Directors" on page 34 of this annual report.

EXECUTIVE DIRECTORS

Dr. TAN Henry, BBS, JP, aged 66, has been the Vice Chairman of the Board, an Executive Director and the Chief Executive Officer of the Company since November 2018. He is also a member of our Nomination and Remuneration Committees. He joined the Group in April 1997. Dr. Tan has over 30 years of experience in conducting business in mainland 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. Dr. Tan is very active in the community. He is the chairman of the Textile Council of Hong Kong, a court member of The Hong Kong Polytechnic University, the chairman of the Advisory Committee of College of Professional and Continuing Education of The Hong Kong Polytechnic University, and an honorary court member of the Hong Kong Baptist University. He is a Hong Kong Deputy to the Thirteenth National People's Congress of the People's Republic of China, an honorary trustee of Peking University (北京大學), a director of the board of Huaqiao University (華僑大學), and a standing director of the board of Jimei University (集美大學). Dr. Tan is a former chairman of Po Leung Kuk and was awarded a Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in November 2005. Dr. Tan holds a bachelor's degree and a master's degree in business administration from the University of Guam. He also received an honorary doctorate in humane letters from the University of Guam in recognition of his contribution in the Western Pacific Region. Dr. Tan is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management), the father of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President), and a brother-in-law of Mr. Chiu George (an Executive Director). He is also a director of S.A.I. CNMI Holdings Limited, S.A.I. CNMI Tourism Inc., S.A.I. Guam Holdings Limited, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries. Dr. Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings "Directors' and Chief Executives' Interest in Shares" in the section headed "Report of Directors" on page 34 of this annual report.

Mr. CHIU George, aged 58, has been an Executive Director of the Group since November 2018. Mr. Chiu joined the Group in April 1997 and has held directorship and key management roles. Mr. Chiu is recognized as a successful businessman in the Western Pacific Region with more than 25 years of experience in overseeing and managing various business ventures in the region. Mr. Chiu has a strong presence in the business community of the Western Pacific Region. He is also actively involved in other community organizations. Mr. Chiu is the president of both the Chinese Chamber of Commerce of Guam and the Guam Chinese Association. He also serves as the director of the board of the Guam Economic Development Authority and the director/treasurer of the board of the University of Guam Endowment Foundation. Mr. Chiu holds a bachelor's degree in business administration with double majors in management and accounting from the University of Guam. Mr. Chiu is the brother-in-law of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). He is also a director of S.A.I. CNMI Tourism Inc., S.A.I. Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

Mrs. SU TAN Jennifer Sze Tink, aged 37, has been an Executive Director of the Company since November 2018. She is also the Executive Vice President of our Group. Mrs. Su Tan joined our Group in February 2017. She has a solid background and experience in the hotel and hospitality industry and marketing. Mrs. Su Tan holds a bachelor's degree in science majoring in hotel and restaurant administration from Cornell University, the U.S.. She is a granddaughter of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a daughter of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and a niece of Mr. Chiu George (an Executive Director), Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management).

Mr. SCHWEIZER Jeffrey William, aged 66, has been an Executive Director of the Company since April 2019. He has also been the Head of Hotel Operations of our Group since November 2018. Mr. Schweizer joined the Group in April 2005. He has over 30 years of experience in the hospitality industry. He served as chairman of the board of the Guam Hotel and Restaurant Association (the “**GHRA**”) in 2009, 2018 and 2019, and has been a longstanding board member of the GHRA. Mr. Schweizer is currently a member of Skål Club of Guam and had been a longstanding member of the Chinese Chamber of Commerce in Guam, a member of the Guam Chamber of Commerce and one of its subcommittees, the Armed Forces Committee. Mr. Schweizer completed the advanced hotel management program of the Hong Kong Winter School 2004 of The Hong Kong Polytechnic University and completed the food and beverage management seminar held by the School of Hotel Administration, Cornell University, U.S..

NON-EXECUTIVE DIRECTOR

Mr. TAN Willie, aged 63, has been a Non-Executive Director of the Company since November 2018. Mr. Tan joined the Group in April 1997. He has over 30 years of experience in business management. Mr. Tan is the deputy chief executive officer of Luen Thai Group Limited (“**Luen Thai Group**”) and vice chairman of the board of Tan Holdings Corporation (“**Tan Holdings**”) (a Controlling Shareholder), both of which are the privately held businesses of the family of Chairman Tan. Under Luen Thai Group, he oversees several groups of companies including Luen Thai Retail Group and Luen Thai Real Estate. Mr. Tan has an extensive experience in tourism and retail businesses. He is also the chief executive of Skechers China Limited, Skechers South Korea Limited and Skechers Southeast Asia Limited. He is currently the external vice president of the Philippines-China Business Council, chairman of the Confederation of Garment Exporters of the Philippines and was appointed honorary ambassador-at-large for Guam, U.S. in 2007. Mr. Tan holds a bachelor's degree in business administration from the University of Guam. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Jerry Cho Yee (a member of our senior management) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of Asia Pacific Hotels, Inc., Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHAN Pak Woon David, aged 64, has been an Independent Non-Executive Director since April 2019 and is the Chairman of our Nomination Committee and a member of our Audit and Remuneration Committees. He joined the Group in April 2019. Mr. Chan has over 30 years of experience in the hotels and resorts industry. He is currently a professor and a director of the School of Hotel and Tourism Management of the Chinese University of Hong Kong and has extensive experience in the hotels and resorts industry. Mr. Chan holds a bachelor's degree in business administration from the University of Hawaii at Manoa in the U.S., a master's degree in China laws from Jinan University in the People's Republic of China (the “**PRC**”) and a doctoral degree of management science in tourist management from Sun Yat-Sen University in the PRC.

Management Executives

Mr. MA Andrew Chiu Cheung, aged 78, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Audit Committee. He joined the Group in April 2019. Mr. Ma holds 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. He is a Fellow Member of each of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Ma has also been appointed as 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 currently an independent non-executive director of C.P. Pokphand Co. Ltd. (Stock Code: 43), China Resources Power Holdings Company Limited (Stock Code: 836), Chong Hing Bank Limited (Stock Code: 1111), Asiaray Media Group Limited (Stock Code: 1993) and C-Mer Eye Care Holdings Limited (Stock Code: 3309), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Ma previously served as an independent non-executive director of Asia Financial Holdings Limited (Stock Code: 662), a company listed on the Main Board of the Stock Exchange, until his resignation on May 23, 2019.

Mr. CHAN Leung Choi Albert, aged 65, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Remuneration Committee and a member of our Audit and Nomination Committees. He joined the Group in April 2019. Mr. Chan is a banker based in Hong Kong with over 40 years of experience. Prior to his retirement in 2017 from the role of Head of Commercial Banking of The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"), he assumed various management positions in HSBC including retail banking, treasury, corporate banking and risk management. Since January 2019, Mr. Chan has been a non-executive director of HSBC Bank (China) Company Limited, a wholly owned subsidiary of the HSBC group. Mr. Chan holds a bachelor's degree in science from the University of Hong Kong.

SENIOR MANAGEMENT

Mr. TAN Jerry Cho Yee, aged 58, has been our President, Guam & Saipan since November 2018. He joined the Group in April 1997. Mr. Tan is the chief executive officer of Tan Holdings (a Controlling Shareholder), which is the privately held business of the family of Chairman Tan, and has over 30 years of management experience in doing business in the Western Pacific Region, particularly in Guam and the CNMI. Mr. Tan received recognition as an entrepreneur and community leader including Executive of the Year from the Guam Business Magazine, Employer of the Year from the CNMI Society for Human Resource Management, Business Person of the Year from the Saipan Chamber of Commerce, and Sports Administrator of the Year from the Northern Marianas Sports Association. Mr. Tan is the vice chairman of Tan Siu Lin Foundation and the chairman of Pacific Century Fellows Marianas Chapter, a non-profit leadership mentoring program for young people working in both public and private sectors in the CNMI. He is a board member of the MVA since 2012 (previously its chairman from 2006 to 2010), and the president of the Northern Marianas Sports Association, the Northern Mariana Islands Football Association and the Chinese Association of Saipan. Mr. Tan graduated magna cum laude from the University of Guam with a double major in accounting and management. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Willie (a Non-Executive Director) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of S.A.I. CNMI Tourism Inc., S.A.I. Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation and Century Tours, Inc. and a manager (equivalent to a director) of CKR, LLC, all of which are our subsidiaries.

Ms. CHEUNG Pik Shan Bonnie, aged 43, has been our Group Financial Controller since November 2018 and was appointed as the Company Secretary of the Company since April 2019. She joined the Group in April 2018. Ms. Cheung has over 20 years of experience in the field of auditing and accounting. Before transferring to the Group, she was a vice president of the corporate finance division of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. Ms. Cheung is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Cheung holds a bachelor's degree in accountancy from The Hong Kong Polytechnic University.

The Board has the pleasure in presenting to the Shareholders this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are (1) the operation of hotels and resorts, (2) luxury travel retail business and (3) the provision of destination services, the particulars of which are set out in note 14 to the consolidated financial statements.

The Listing of and the dealing in the Shares on the Stock Exchange commenced on the Listing Date, being May 16, 2019.

An analysis of the Group's performance by principal activities during the Year is set out in note 5 to the consolidated financial statements on pages 96 to 99 of this annual report.

GROUP PROFIT

The profit of the Group for the Year is set out in the consolidated statement of comprehensive income on page 61 of this annual report. The state of the Group's affairs as at December 31, 2019 are set out in the consolidated financial statements on pages 61 to 139 of this annual report.

DIVIDENDS

No interim dividend (2018: Nil) was declared during the Year. The Directors have recommended the payment of a final dividend of US0.28 cent (equivalent to HK2.19 cents) per Share in respect of the Year, totaling approximately US\$1,010,000, subject to the approval of the Shareholders at the annual general meeting of the Company to be held on June 2, 2020 ("AGM"). The proposed final dividend, if approved by the Shareholders at the AGM, is expected to be distributed on June 17, 2020 to Shareholders whose names appear on the register of members of the Company on June 10, 2020.

The Board is not aware of any Shareholders who have waived or agreed to waive any dividends.

CASH FLOW

The cash flow position of the Group for the Year is set out and analyzed in the consolidated statement of cash flows on page 66 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group for the Year together with a discussion and analysis of its performance and the material factors underlying its performance as well as the Group's future business development are set out in the sections headed "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 6 to 9 and pages 12 to 19 of this annual report respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section headed "Key Financial Highlights" on page 5 of this annual report.

Report of Directors

ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

Detailed information and a discussion on the environmental, social and governance practices adopted by the Group will be set out in the “Environmental, Social and Governance Report” which will be a separate report to be published on the websites of the Hong Kong Exchanges and Clearing Limited (“**HKEX**”) and the Company no later than three months after the publication of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s business operations are mainly carried out by the Company’s subsidiaries in Saipan, Guam and Hawaii, the United States of America (the “**U.S.**”), while the Company is listed on the Main Board of the Stock Exchange in Hong Kong. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the Year and up to the date of this annual report, the Board is not aware of any material non-compliance with the relevant laws and regulations in the countries where the Group is operating.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that business operations and financial results of the Group may be affected by various risks and uncertainties. Description of the principal risks and uncertainties faced by the Group are set out in the section headed “Principal Risks and Uncertainties” on pages 40 to 41 of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The success of the Group depends on the support from key stakeholders which comprise customers, suppliers, employees and Shareholders.

Customers and Suppliers

The Group appreciates the importance of maintaining a good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values customers’ feedback and addresses their concerns in a timely manner. During the Year, there is no circumstance of any event between the Group and its customers or suppliers which will have a significant impact on the Group’s business and on which the Group’s success depends.

Employees

Employees constitute one of the valuable assets of the Group. The key objective of the Group’s human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. Sufficient training and development are provided to all the employees and equal opportunities are provided within the Group for career advancement.

Shareholders

One of the major goals of the Group is to maximize the return to the Shareholders. The Group endeavors to foster the development of business for achieving sustainable profit growth and rewarding the Shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group.

MAJOR CUSTOMERS

The Group's major customers are primarily tour operators of our Hotels & Resorts Segment. Due to the diversity and nature of the Group's activities, during the Year, the aggregate percentage of the Group's sales attributable to the Group's five largest customers was less than 30%. In addition, the Group's largest customer accounted for approximately 11.1% of the total sales.

Our Directors have confirmed that, save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interest in Contracts" below and as at December 31, 2019, all of our five largest customers (by revenue contribution) were independent third parties. None of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had an interest in any of the five largest customers.

MAJOR SUPPLIERS

The Group's major suppliers are utilities and food and beverage ingredient suppliers in our Hotels & Resorts Segment, as well as brand owners in our Luxury Travel Retail Segment. During the Year, the aggregate percentage of the Group's purchases attributable to the Group's five largest suppliers was less than 30%. In addition, the Group's largest supplier accounted for approximately 4.4% of the total purchases.

As at December 31, 2019, none of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at December 31, 2019 are set out in note 14 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the Listing were US\$39.4 million (equivalent to HK\$307.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing).

The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 ("**Prospectus**"), namely:-

1. **Asset rejuvenation plan** — around 75% of the net proceeds will be used to implement our asset rejuvenation plan on Fiesta Resort Saipan, Kanoa Resort and Fiesta Resort Guam under our Hotels & Resorts Segment.
2. **New travel retail boutiques** — around 5% of our net proceeds will be used as capital expenditure and operating costs to launch new travel retail boutiques under our Luxury Travel Retail Segment.
3. **IT upgrade** — around 5% of our net proceeds will be used to upgrade our information technology infrastructure.
4. **Digital sales and marketing** — around 5% of our net proceeds will be used to implement our enhanced digital sales and marketing initiatives and strengthen our online presence among leisure traveler communities, particularly in mainland China, South Korea and Japan.
5. **General working capital** — around 10% of our net proceeds will be used as working capital and for general corporate purpose.

Report of Directors

Utilization during the Year

During the period from the Listing Date to the end of the Year (the “**Period**”), the Group had utilized the net proceeds from the Listing as set out in the table below:

	Net proceeds from Listing US\$'000	Utilization for the year ended December 31, 2019 US\$'000	Unutilized amount US\$'000
Asset rejuvenation plan	29,555	389	29,166
New travel retail boutiques	2,000	1,145	855
IT upgrade	2,000	121	1,879
Digital sales and marketing	2,000	144	1,856
General working capital	3,945	203	3,742
Total ^(a) :	39,400 ^(b)	2,002	37,398 ^(b)

Notes:

- (a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (b) In respect of the amount of net proceeds from Listing, the exchange rate applied is US\$1.0 = HK\$7.8 and the amount in US\$ is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

Currently, the Group holds the unutilized net proceeds as deposit with creditworthy banks with no recent history of default.

Delay in use of net proceeds from Listing

The Board is aware that there has been a delay in the use of proceeds from Listing when compared to the implementation plan set out in the Prospectus. Please refer to the revised plan set out below under the heading “Revised proceeds utilization plan” for the updated expected timeline for the utilization of the net proceeds from the Listing.

The reasons for the delay are as follows:-

1. Asset rejuvenation plan

Fiesta Resort Guam

As disclosed in the Prospectus, we intended to commence renovation of our Fiesta Resort Guam in late 2019 and expected to incur capital expenditure of approximately US\$8.2 million during the Year. The total capital expenditure for the asset rejuvenation plan of our Fiesta Resort Guam was expected to be approximately US\$20.4 million, which was intended to be incurred during the Year and the year ending December 31, 2020.

However, as mentioned in the Announcement of the Company issued on September 10, 2019, Asia Pacific Hotels, Inc. (Guam) (an indirectly wholly-owned subsidiary of the Company) successfully entered into a Hotel Management Agreement (“**HMA**”) with IHC Hotel Limited (“**IHC**”) (an indirectly wholly-owned subsidiary of InterContinental Hotels Group PLC) in respect of Fiesta Resort Guam. The HMA enables us to leverage on InterContinental Hotels Group’s extensive hotel management experiences, membership program, loyalty customer base, as well as the brand recognition of “Crowne Plaza” in our key tourist origin markets.

As a result of the HMA, the estimated total capital expenditure for the asset rejuvenation plan of our Fiesta Resort Guam is now projected to be approximately US\$32.7 million (representing an increase of approximately US\$12.3 million), and the plan is expected to take up to 24 months to complete. The additional capital expenditure and time required to implement the plan are primarily due to additional investments in landscaping upgrade, food and beverage infrastructure and function facilities, as well as the higher brand standards required by the InterContinental Hotels Group. Nevertheless, the additional estimated capital expenditure will be funded by the Group's internal resources and hence there is no change to the total amount of proceeds from the Listing to be used as disclosed in the Prospectus.

In view of the additional time required to plan the additional investments mentioned above and to work with IHC, construction for our Fiesta Resort Guam has yet to commence as of the date of this annual report. As such, we have only incurred capital expenditure of approximately US\$0.4 million for this purpose during the Year. As construction is expected to commence in mid-2020, capital expenditure of approximately US\$21.5 million and US\$10.8 million is expected to be incurred in the years ending December 31, 2020 and December 31, 2021 respectively. We are currently on track to rebrand our Fiesta Resort Guam to "Crowne Plaza Guam" by the end of the second quarter of 2021.

Fiesta Resort Saipan

We did not intend to and we did not incur any capital expenditure for the asset rejuvenation plan of our Fiesta Resort Saipan during the Year. As mentioned in the Prospectus, renovation of our Fiesta Resort Saipan was estimated to commence in early 2020 and we intended to incur capital expenditure of approximately US\$17.8 million and US\$4.5 million in the years ending December 31, 2020 and December 31, 2021 respectively, totalling US\$22.3 million.

However, as mentioned in the Prospectus, the estimated capital expenditure was based on the assumption that the land lease underlying our Fiesta Resort Saipan will be renewed prior to the implementation of its asset rejuvenation plan.

The renewal of the land lease of Fiesta Resort Saipan is subject to discussions and negotiations with the local government and statutory prescribed approval procedures. As of the date of this annual report, we are in the final stage of our negotiations with the Department of Public Lands of the CNMI in respect of terms of the proposed new land lease for our Fiesta Resort Saipan. After we have reached a preliminary agreement with the Department of Public Lands of the CNMI, the proposed new land lease will be subject to a public consultation process in the CNMI. Our management expects to be able to complete the renewal of the land lease by the end of April 2020.

In addition, as disclosed under the heading "Future Plans and Market Prospects" in the section "Management and Discussion Analysis" on pages 17 to 18 of this annual report, the global outbreak of COVID-19 since the beginning of 2020 has created immense uncertainties for our business operations. As such, even with the successful renewal of the land lease, the Board expects that the asset rejuvenation plan for our Fiesta Resort Saipan will not be implemented until late 2020.

The estimated total capital expenditure for the asset rejuvenation plan of our Fiesta Resort Saipan is now US\$25.4 million (representing an increase of approximately US\$3.1 million). Taking into account the above factors, it is expected that we will incur capital expenditure of approximately US\$0.8 million, US\$16.4 million, US\$8.2 million in the years ending December 31, 2020, December 31, 2021 and December 31, 2022 respectively. Nevertheless, the additional estimated capital expenditure will be funded by the Group's internal resources and hence there is no change to the total amount of proceeds from the Listing to be used as disclosed in the Prospectus for this purpose.

Report of Directors

2. *New travel retail boutiques*

As per the Prospectus, we planned to add one new travel retail boutique in Guam in mid to late 2019 under a French luxury fashion brand which we commenced business relationship with in December 2018.

In August 2019, we successfully launched the new travel retail boutique in Guam as planned. Nevertheless, we only incurred capital expenditure and operating costs of approximately US\$515,000 during the Year for this new boutique in Guam, which was lower than expected. Further, in view of the impact of COVID-19 and the temporary suspension of operation of this new boutique in Guam since late March 2020, we expect that we will only incur operating costs of around US\$535,000 during the year ending December 31, 2020. As such, the unutilized portion of the proceeds from the Listing is expected to be used as operating costs for the new boutique in Guam over the two years ending December 31, 2020 and December 31, 2021. There is no change to the total amount of proceeds from the Listing to be used as disclosed in the Prospectus for this purpose.

3. *IT upgrade*

According to the Prospectus, we intended to utilize approximately US\$1.0 million during the Year to upgrade our information technology infrastructure, including (1) the implementation of a new reservation system for our hotels and resorts in Saipan and Guam, (2) a new data server to connect our new reservation system with third-party booking channels, (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. Under the original plan, the upgrade will be completed before the end of 2020.

Fiesta Resort Guam

However, in September 2019, we entered into the HMA and IHC took over the management of Fiesta Resort Guam. As part of the HMA, we have access to the worldwide reservation system administered and operated by the InterContinental Hotels Group, with technical support from IHC. The InterContinental Hotels Group's worldwide reservation system gives us access to robust customer relations management, loyalty club member bookings, mobile reservations application, and a user-friendly user interface for bookings. With an integrated secure data server, the InterContinental Hotels Group's reservation system satisfied our original need of a new reservation system and a new data server in respect Fiesta Resort Guam.

We plan to deploy a portion of the unutilized proceeds from Listing to IT-related customer experience for our Fiesta Resort Guam as part of our IT infrastructure upgrade. We are planning to implement InterContinental Hotels Group's Connect system ("**IHG Connect**") throughout our property. IHG Connect allows us to connect with guests through multiple check points while they are on our property using television, phone and on-property Wi-Fi. It will also improve connectivity for our guests throughout the property. We will aim to integrate IHG Connect at Fiesta Resort Guam in the second half of 2020.

As mentioned, we also expect to re-brand Fiesta Resort Guam into Crowne Plaza Guam by the end of the second quarter of 2021. Hence, we have postponed our plan to implement the new online direct booking interface together with a newly designed website to coincide with the rebranding timeframe. We estimate that we will be launching the new website of Fiesta Resort Guam (to be known as Crowne Plaza Guam) in the fourth quarter of 2020 to prepare for rebranding efforts and marketing campaigns.

Hotels and resorts in Saipan

In view of the above, the new reservation system, data server and online booking interface in our original IT upgrade plan will only be required to serve our hotels and resorts in Saipan. As an integral part of our enhanced digital sales and marketing initiatives as disclosed below, we also expect to improve our online sales and distribution channels for our hotels and resorts in Saipan. Hence, we have postponed the implementation of the new reservation system, data server and online booking interface to mid-2021 in order to allow time for us to refine our plan to better suit the needs of the key tourist origin markets of Saipan.

As such, during the Year, we have only incurred capital expenditure and expenses of approximately US\$31,000 for the purpose of IT upgrade, including the upgrading of our equipment to meet the technical requirements to operate InterContinental Hotels Group's reservation system for our Fiesta Resort Guam.

We expect to use the unutilized portion of the proceeds from the Listing over the course of the years 2020 and 2021 while we gradually integrate into the InterContinental Hotels Group's IT system for our Fiesta Resort Guam and implement our own upgrade plans for our hotels and resorts in Saipan as set out above. There is no change to the total amount of proceeds from the Listing to be used for IT upgrade purposes as disclosed in the Prospectus.

4. Digital sales and marketing

As per the Prospectus, we intended to utilize approximately US\$450,000 during the Year to implement enhanced digital sales and marketing initiatives and strengthen our online presence. However, our original plans in respect of digital sales and marketing have been postponed due to the HMA with IHC.

Under the terms of the HMA, IHC has control over marketing policies in respect of Fiesta Resort Guam. As for our hotels and resorts in Saipan, we have postponed some of our marketing plans during the Year while we reassess our marketing direction and brand image in light of our collaboration with the InterContinental Hotels Group in Guam. As such, we have only incurred a capital expenditure of approximately US\$144,000 during the Year for digital sales and marketing purposes.

Unfortunately, since the beginning of 2020, the global tourism industry has been hit by the spread of COVID-19. In the circumstances, we expect that digital sales and marketing campaigns will not be launched until the third quarter of 2020. In light of the potentially strong recovery of the market due to people's general pent-up desire to travel, we plan to aggressively market ourselves in our target customer markets as soon as we have visibility on market resumption.

We are actively exploring new online sales and distribution channels for our hotels and resorts in Saipan and we expect that improvements will be made in 2021. As mentioned above, we also plan to launch our new reservation system, data server and online booking interface for our hotels and resorts in Saipan in mid-2021.

In view of the above, the unutilized portion of the proceeds from the Listing will be used over the course of the years ending December 31, 2020 and December 31, 2021.

Save as set out above, there are no material changes or delay in the use of net proceeds from the Listing.

Revised proceeds utilization plan

The Company will continue to apply the unutilized net proceeds from the Listing for the purposes stated in the Prospectus, taking into account the revised proceeds utilization plan, our development strategy, as well as market conditions. The Company expects that the remaining unused proceeds will be fully used by December 31, 2022.

Report of Directors

Set out below is the revised proceeds utilization plan of the Company:

	Amount for the year ended December 31, 2019	Capital expenditure and expenses				Approximate amount to be funded with the net proceeds from Listing ^(b)	
		Estimated amount for the year ending December 31, 2020	Estimated amount for the year ending December 31, 2021	Estimated amount for the year ending December 31, 2022	Estimated total amount by December 31, 2022 ^(c)		
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	%
Asset rejuvenation plan							
Fiesta Resort Saipan	—	800	16,424	8,212	25,436	11,780	46.3%
Kanoa Resort	—	—	9,357	4,678	14,035	7,075	50.4%
Fiesta Resort Guam	389	21,527	10,763	—	32,679	10,700	32.7%
Sub-total	389	22,327	36,544	12,890	72,150	29,555	
New travel retail boutiques							
New Saipan boutique	1,410	140	—	—	1,550	630	40.6%
New Guam boutique	515	535	500	—	1,550	1,370	88.4%
Other future boutiques	—	—	—	1,550	1,550	—	0.0%
Sub-total	1,925	675	500	1,550	4,650	2,000	
IT upgrade							
New reservation system	31	452	452	—	935	935	100.0%
New data server	—	160	160	—	320	320	100.0%
New online booking interface	—	288	287	—	575	575	100.0%
Other IT expenses	90	122	122	—	334	170	50.9%
Sub-total	121	1,022	1,021	—	2,164	2,000	
Digital sales and marketing	144	702	1,404	—	2,250	2,000	88.9%
General working capital	203	—	—	—	—	3,945	N/A
						39,400^(a)	

Notes:

- (a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (b) The outstanding amount of estimated capital expenditure or expenses not otherwise funded with the net proceeds from the Listing will be funded with our internal financial resources.
- (c) 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 date of this annual report only.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2019, the Company's reserves available for distribution to the Shareholders, calculated in accordance with the Companies Law (Revised), Cap 22 of the Cayman Islands, amounted to US\$96.5 million. Details of movements in the reserves of the Company during the Year are set out in note 35(b) to the consolidated financial statements. Under the Companies Law (Revised), Cap. 22 of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the Shareholders provided that, immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as and when they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 140 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in investment properties of the Group during the Year are set out in note 16 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 2.22 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately US\$128,000.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the **"Share Option Scheme"**) on April 9, 2019, pursuant to which the Board may, at its absolute discretion, offer to grant to any Eligible Person (as defined below) an option to subscribe for Shares.

"Eligible Persons" include 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the **"Listing Rules"**)) of any of the foregoing persons.

The purposes of the Share Option Scheme are to motivate Eligible Persons 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.

Report of Directors

Under the Share Option Scheme, an option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 36,000,000, representing approximately 10% of the total issued share capital of the Company as at the date of this annual report. 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. Each grantee shall pay a consideration of HK\$10 upon acceptance of the offer of the option (within 21 days of the offer) and the exercise price of the share options will be determined by the Board and shall be less than the highest of (i) the nominal value of a Share; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) 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 Share Option Scheme will remain in force for ten years from the Listing Date until May 15, 2029, unless otherwise determined in accordance with its terms.

During the Year, no options were granted, exercised or cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at December 31, 2019.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with Directors or persons engaged under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors who held office during the Year and up to the date of this annual report were:

Chairman and Non-Executive Director

Dr. TAN Siu Lin, *SBS*

Executive Directors

Dr. TAN Henry, *BBS, JP*

Mr. CHIU George

Mrs. SU TAN Jennifer Sze Tink

Mr. SCHWEIZER Jeffrey William

Non-Executive Director

Mr. TAN Willie

Independent Non-Executive Directors

Prof. CHAN Pak Woon David

Mr. MA Andrew Chiu Cheung

Mr. CHAN Leung Choi Albert

The Company received written confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

APPOINTMENTS, RETIREMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive and non-executive Directors has entered into a service contract with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Under the articles of association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. In addition, according to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") and the Articles, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

The Articles provide that any Director appointed by the Board, either to fill a causal vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Articles, Dr. Tan Henry, Mr. Tan Willie and Mr. Ma Andrew Chiu Cheung will retire from office at the forthcoming AGM. All retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interests in Contracts" below, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted as at December 31, 2019 or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executives' Interests in Shares" below, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Management Executives" on pages 20 to 22 of this annual report.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of Directors' emoluments and the five highest paid individuals in the Group are set out in notes 36(a) and 9(a) respectively to the consolidated financial statements. The Board is not aware of any Directors who have waived or agreed to waive any emoluments.

Report of Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at December 31, 2019, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long position in the Shares

Directors	Shares in the Company			Percentage of interests in the Company ^(a)
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Dr. TAN Siu Lin ^(b)	—	270,000,000	270,000,000	75%
Dr. TAN Henry ^(c)	—	270,000,000	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares issued (i.e. 360,000,000) as at December 31, 2019.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure Holdings Limited ("**THC Leisure**") because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success Limited ("**Supreme Success**"), which is the registered owner of the entire interests in Leap Forward Limited ("**Leap Forward**") as the trustee of a discretionary family trust, (iii) he and Dr. Tan Henry 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, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings Corporation ("**Tan Holdings**"), and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.
- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Siu Lin 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, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Henry. He is also the registered owner of a 20% interest in Tan Holdings.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at December 31, 2019, the register of substantial Shareholders maintained pursuant to Section 336 of Part XV of the SFO showed that other than the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Shares" above, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long position in the Shares

Name of Shareholder	Capacity/Nature of interests	Number of Shares	Percentage of interests in the Company ^(a)
Dr. TAN Siu Lin ^(b)	Interests in a controlled corporation	270,000,000	75%
Dr. TAN Henry ^(c)	Interests in a controlled corporation	270,000,000	75%
THC Leisure ^(d)	Beneficial interests	270,000,000	75%
Tan Holdings ^(d)	Interests in a controlled corporation	270,000,000	75%
Leap Forward ^(d)	Interests in a controlled corporation	270,000,000	75%
Supreme Success ^(d)	Interests in a controlled corporation	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares in issue (i.e. 360,000,000) as at December 31, 2019.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Henry 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, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.
- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Siu Lin 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, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Henry. He is also the registered owner of a 20% interest in Tan Holdings.
- (d) THC Leisure directly holds 270,000,000 Shares (representing 75% of the Company's entire issued share capital). THC Leisure is 100% directly owned by Tan Holdings. Leap Forward holds 39% interest in Tan Holdings directly and Supreme Success holds 100% interest in Leap Forward.

Report of Directors

Save as disclosed above, so far as is known to the Directors, there is no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the Shares or underlying shares which could fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% 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 members of the Group.

CONNECTED TRANSACTIONS, DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS

The related party transactions of the Company for the Year are set out in note 31 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

During the Year, the Group entered into a number of transactions, which constituted non-exempt continuing connected transactions for the Company and are subject to announcement, annual review and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The following table is a summary of the approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the Year. Details of these connected transactions are set out below in accordance with the Listing Rules.

		For the Year ended December 31, 2019	
Connected Party	Category	Aggregate Value US\$'000	Annual Cap US\$'000
Expenses			
QZ Tours	Holiday Package Transactions ^(a)	10,994	12,211
TakeCare	Medical Insurance ^(b)	1,638	1,957
Cosmos Saipan, Cosmos Guam and D&Q	Consumer Goods Transactions ^(c)	799	989
Beach Road Tourism, L&T Group and Luen Thai International	Leased premises ^(d)	764	951
CTSI Group	Freight and Logistics Transactions ^(e)	686	1,041
Income			
Strategic Gaming	Leased premises ^(d)	250	300

Notes:

- (a) On April 9, 2019, the Company entered into an agreement with 泉州市世紀旅遊投資有限公司 ("QZ Tours") for a term commencing from April 9, 2019 to December 31, 2021 pursuant to which QZ Tours agreed to (i) reserve in bulk accommodation in our hotels and resorts, (ii) purchase meal coupons from our on-site restaurants and our self-operated excursion tours, and (iii) procure destination-based, concierge and travel management services from our Destination Services Segment (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 business operations in Saipan only.

QZ Tours has been providing the Holiday Package Transactions for more than five years before the Company's Listing on the Stock Exchange. The commercial terms we offered to QZ Tours were substantially the same as those we offered to other independent tour operators, with the exceptions that (i) we generally offer a discount to tour operators which place bulk bookings with us and the level of such discount is determined primarily based on the level of bulk bookings placed with us, (ii) only QZ Tours may extend its guest room check-out time until mid-night at a special late night charge, (iii) only QZ Tours had the option to increase its room allocation in the event that it has secured additional charter flights between Saipan and mainland China, (iv) QZ Tours was given a short cancellation or release date, and (v) only QZ Tours had the option to guarantee a room reservation without providing guest names.

Notwithstanding the difference in the terms we offer to QZ Tours and other independent tour operators set out above, the terms and conditions of the Holiday Package Transactions reflect normal commercial terms negotiated on an arm's length basis. Furthermore, the bulk purchase volume of QZ Tours 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.

Given the long term and mutually beneficial collaboration with QZ Tours, the Directors (including the independent non-executive Directors) consider that such Holiday Package Transactions and their respective terms and conditions are on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

QZ Tours is owned as to 99% by Mr. ZHOU Xindong (周新東先生), who is a brother-in-law of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a Controlling Shareholder). QZ Tours is a majority-controlled corporation of a deemed connected person, and hence a connected person of the Company.

- (b) On April 9, 2019, the Company entered into an agreement with TakeCare Insurance Company, Inc. ("**TakeCare**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to purchase medical and dental insurance coverage (the "**Medical Insurance**") for our employees. Under the agreement, our employees also have 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**").

TakeCare is one of the leading medical and dental insurers in Saipan and Guam with a sizable network of clinics. In our ordinary and usual course of business, we have been purchasing the Medical Insurance and the Additional Coverage from TakeCare for a long time before the Company's Listing on the Stock Exchange. The Directors believe that such transactions are beneficial to the Group and the Shareholder as a whole taking into account the scale and quality of TakeCare's operation in Saipan and Guam as well as the extent of coverage it offers. Besides, the Group is able to leverage on its long-established relationship with TakeCare.

The insurance premium payable by us to TakeCare is determined on a case-by-case basis in arm's length commercial negotiations. The Directors (including the independent non-executive Directors) consider that the terms and conditions under the Medical Insurance and the premium payable reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent insurers.

TakeCare is a 30%-controlled corporation of Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a Controlling Shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a Controlling Shareholder). TakeCare is an associate of a connected person, and hence a connected person of the Company.

- (c) On April 9, 2019, the Company entered into an agreement with Cosmos Distributing Co. (Saipan) Ltd. ("**Cosmos Saipan**"), Cosmos Distributing Co., Ltd. ("**Cosmos Guam**") and D&Q Co., Ltd. ("**D&Q**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to procure 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**"). Cosmos Saipan has ceased to operate since mid-2017 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. The terms and conditions of the Consumer Goods Transactions are determined on a case-by-case basis based on arm's length commercial negotiations and the amounts payable by us to Cosmos Guam and D&Q under the Consumer Goods Transactions have been more favorable to us compared to our other independent suppliers. The Directors confirm that the terms and conditions under the Consumer Goods Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent consumer goods wholesalers.

Given the scale of the operation and the quality of supplies of Cosmos Guam and D&Q in Saipan and Guam, the Directors further consider that the Consumer Goods Transactions are in the interests of our Group and the Shareholders as a whole.

Each of Cosmos Guam and D&Q is a 30%-controlled corporation of Tan Holdings (a Controlling Shareholder) and an associate of Mr. Chiu George (an Executive Director). Each of Cosmos Guam and D&Q is an associate of a connected person, and hence a connected person of the Company.

- (d) On April 9, 2019, the Company entered into an agreement 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**") in relation to the leasing of 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, for a term commencing from April 9, 2019 to December 31, 2021. The Company, as landlord, has also entered into a concession agreement with Strategic Gaming Solutions, Inc. ("**Strategic Gaming**"), to lease premises within our Kanoa Resort as an amusement and gaming center operated by Strategic Gaming, for a term commencing from April 9, 2019 to December 31, 2021 (the said tenancy agreements and concession agreement together, the "**Connected Tenancy Agreements**").

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming, has been leasing properties to/from the Group since the Listing. The Directors believe that such lease arrangements are for cost efficiency and for better utilization of the Group's premises, which are beneficial to the Group and the Shareholders as a whole.

Report of Directors

Given the prime location of the premises and the level of rental and other income received or paid by us, the Directors further consider that the leasing arrangements and their respective terms are on normal commercial terms, are fair and reasonable and are in the interests of our Group and the Shareholders as a whole.

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is a 30%-controlled corporation and an associate of Tan Holdings (a Controlling Shareholder), Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a Controlling Shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a Controlling Shareholder). Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is an associate of a connected person, and hence a connected person of the Company.

- (e) On April 9, 2019, the Company entered into an agreement with CTSI Holdings Limited and its subsidiaries (the **“CTSI Group”**) for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company procures warehousing, international freight forwarding, customs clearance and local courier services for our fixtures, furniture, retail merchandises and miscellaneous supplies and documents (the **“Freight and Logistics Transactions”**).

The CTSI Group is a logistics and freight service provider in Saipan and Guam of significant scale. The terms and conditions of the Freight and Logistics Transactions are determined on a case-by-case basis based on arm's length commercial negotiations. The Directors believe that the terms and conditions under the Freight and Logistics Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent consumer goods wholesalers.

Given the scale of the operation and the quality of the freight forwarding services provided by CTSI Group in Saipan and Guam, the Directors further believe that the Freight and Logistics Transactions are in the interests of our Group and the Shareholders as a whole.

Each of CTSI Holdings Limited and its subsidiaries is a 30%-controlled corporation of a connected person of the Group and an associate of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a Controlling Shareholder). Each of CTSI Holdings Limited and its subsidiaries is an associate of a connected person, and hence a connected person of the Company.

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmations from the independent non-executive Directors and auditor

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these continuing connected transactions (i) were entered into in the ordinary and usual course of business of the Group; (ii) were either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with “Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed that the above transactions were approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and announcements of the Company. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 36 to 38 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirmed that, save as disclosed above:

- (i) there were no subsisting contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, at the end of the Year or at any time during the Year; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles provides that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against actions, costs, charges, losses, damages and expenses as a result of any act or failure to act in the execution of their duty. The Company has also maintained Directors' and officers' liability insurance during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the Year.

PUBLIC FLOAT

As at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a Director had a material interest, whether directly or indirectly, subsisting at the end of the Year or at any time during the Year which is required to be disclosed.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out in pages 42 to 56 of this annual report.

AUDITOR

The consolidated financial statements for the Year have been audited by Messrs. PricewaterhouseCoopers. A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

TAN Henry, BBS, JP
Chief Executive Officer,
Vice Chairman of the Board and Executive Director

March 26, 2020

Principal Risks and Uncertainties

The Group's business operations and results may be affected by various factors, some of which are external causes, and some are inherent to the business. There are several principal risks and uncertainties which may directly or indirectly affect the Group's business operations, financial conditions and future business prospects. The magnitude of the impact on the Group arising from these risks depends on the severity, duration and locality of the relevant event should it occur. There are also risks that are not significant now but can turn significant, risks that we are not aware of and/or new risks that may emerge in the future. Outlined below are the several principal risks and uncertainties that may affect the Group, but this list is not intended to be exhaustive or comprehensive:

1. Macro-economic and political environment

The Group is 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 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. We closely monitor changes in the macro-economic environment and endeavor to adjust our business plans in a timely manner.

2. Tourist Arrivals

The Group's business depends on the number of tourist arrivals in Saipan and Guam, which 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. Suspension or reduction in the frequency of direct flights from a key tourist origin market, such as mainland China, South Korea and/or Japan, could significantly reduce the number of tourist arrivals from these markets. In turn, our results of operations might be adversely affected and the competition in the leisure tourism market in Saipan and Guam might intensify. The Group does not have any contractual relationship with airlines and control over their business decisions on flight operations and pricing. Nevertheless, we actively encourage the airlines to develop new flight routes from our key tourist origin markets with a view to facilitate a general increase in the number of air seats to and from Saipan and/or Guam.

3. Land lease renewal

The 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. If we fail to renew the land leases, we will lose a significant revenue stream and our business prospects, results of operations and financial conditions could materially decline. 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 but are not entirely within our control. We are actively engaged in negotiations with the local government on land lease renewal.

Principal Risks and Uncertainties

4. Human Resources

The Group's operations in Hotels & Resorts Segment 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 a significant degree on the quality and skillset of our staff (including our temporary and full-time employees and our casual staff). The failure to attract, retain, train, manage and engage skilled employees could reduce guest satisfaction and thus have a material adverse effect on our business, results of operations and financial conditions. Staffing shortages could also hinder our ability to grow and expand our businesses. A shortage of skilled employees could also require higher wages that would increase our personnel costs and could adversely affect our profits. The Group monitors labor market conditions on a regular basis to ensure our employment terms are both reasonable and competitive while maintaining our high quality of services.

5. Legal and Compliance

The Group is committed to complying with all relevant legal, regulatory and contractual requirements, which gives rise to compliance costs. The Group's Luxury Travel Retail Segment has a number of franchise and distribution agreements with brand owners which typically have a fixed term 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 business operations, expansion and future prospects. Failure to observe these terms may give rise to the brand owners' rights to prematurely terminate the franchise and distribution agreements with a nil to 60 days' notice. The Group actively engages external professional advisors to advise on relevant legal, regulatory and contractual requirements to ensure compliance.

6. Disaster Events

The Group's leisure tourism business will be materially and adversely affected by natural disaster events such as super typhoon or flooding. Other disaster events include acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events. Depending on the severity, duration and locality, such events could severely disrupt the Group's business operations and cause damages to our properties. Such events, or a general apprehension of such events, may also significantly and adversely affect travel sentiments and reduce demand for tourism products and services in the affected destination. The Group regularly conducts risk assessment, and has taken out comprehensive insurance covering our properties, business operations and third-party liabilities.

The global outbreak of COVID-19 in 2020 is an example of such disaster events, which has also caused changes in the macro-economic environment, dampening of global travel sentiment, decrease in flight availability and hence tourist arrivals, as well as changes in local laws and regulations (including but not limited to travel bans).

The impact of the COVID-19 outbreak on our Group's business and the measures taken by our Group to manage the same are set out under the headings "Subsequent Events" and "Future Plans and Market Prospects" in the section headed "Management Discussion and Analysis" on pages 9 to 15 of this annual report.

As the severity, duration and locality of the COVID-19 outbreak remain uncertain, the extent of its impact on the Group's business operations and financial results cannot be determined as at the date of this annual report. As such, the impact of the COVID-19 outbreak remains a principal risk and continues to create uncertainties for our Group's business operations and financial results.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of Shareholders, taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior, and protecting the long-term sustainability of the Group as a whole.

The Shares of the Company have been listed on the Stock Exchange on the Listing Date. Since the Listing Date, the Company has adopted the principles in the CG Code as set out in Appendix 14 to the Listing Rules as its code of corporate governance.

During the Period from the Listing Date to the end of the Year and up to the date of this annual report, the Company has complied with all applicable code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries of all directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code throughout the Period.

BOARD OF DIRECTORS

Board responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The Board acknowledges its responsibility for the management of the Group and to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the Shareholders. The Board is also responsible for convening general meetings, implementing the resolutions passed at the general meetings, determining the business and investment plans of the Group, formulating the annual financial budget and financial statements of the Group, and formulating the proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by the Company's Articles. The Board has established Board Committees (as defined below) and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board Committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place.

The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Composition

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors (including the Chairman of the Board) and three independent non-executive Directors, as follows:

Executive Directors

Dr. TAN Henry, *BBS, JP (Vice Chairman and Chief Executive Officer)*
Mr. CHIU George
Mrs. SU TAN Jennifer Sze Tink
Mr. SCHWEIZER Jeffrey William

Non-Executive Directors

Dr. TAN Siu Lin, *SBS (Chairman)*
Mr. TAN Willie

Independent Non-Executive Directors

Prof. CHAN Pak Woon David
Mr. MA Andrew Chiu Cheung
Mr. CHAN Leung Choi Albert

The biographical details of the Directors are set out in the section headed “Management Executives” on pages 20 to 22 of this annual report. Save as disclosed in the said section, there is no family, financial or business relationship among the Directors.

Throughout the Period, independent non-executive Directors constitute one-third of the Board, which is in compliance with the requirement under Rule 3.10(A) of the Listing Rules. Hence, there is a strong independence element in the composition of the Board. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group, and at least one of the independent non-executive Directors has appropriate professional qualifications of accounting or related financial management expertise.

The list of Directors has been published on the website of the Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the Period and up to the date of this annual report, an appropriate and adequate directors’ and officers’ liability insurance is in place to protect all the Directors from legal action arising from the performance of their duties as a Director. Such insurance coverage will be reviewed and renewed on an annual basis. As of the date of this annual report, no claims under the insurance policy has been made.

Corporate Governance Report

Independent non-executive Directors

The roles of the independent non-executive Directors include the following:

- (i) provision of independent judgement at Board meetings;
- (ii) take the lead where potential conflicts of interest arise;
- (iii) serve on committees if invited; and
- (iv) scrutinize the performance of the Group as necessary.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board Committees, all independent non-executive Directors will continue to make various contributions to the Company.

The independent non-executive Directors and their immediate family receive no payment from the Company or its subsidiaries (except the director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the annual general meeting of the Company in accordance with the provisions of the Articles. Each independent non-executive Director has provided a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the other Directors. During the Period and up to the date of this annual report, the Chairman held one meeting with the independent non-executive Directors on March 25, 2020 without the presence of any other Directors. Going forward, the Chairman will continue to ensure compliance with this code provision.

Directors' induction and continuing professional development

On the first occasion of each Director's appointment, he/she would receive training on the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements.

Directors are committed to comply with the continuous professional development requirement under provision A.6.5 of the CG Code so as to develop and refresh their knowledge and skills and ensure that their contribution to the Board will be informed and relevant.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. During the Period, the Company arranged for the Directors to participate in certain continuous professional development courses relating to their duties as directors of a listed corporation, the Listing Rules, corporate governance practices and other relevant legal and regulatory requirements so that they can continuously acquire relevant knowledge and skills.

Furthermore, the Company has arranged a site visit for the Directors in September 2019 to enhance their understanding and knowledge of the Group's business operations.

Corporate Governance Report

A summary of training received by each Director during the Period is set out below:

Board Members	Type of training
Executive Directors	
Dr. TAN Henry, <i>BBS, JP (Vice Chairman and Chief Executive Officer)</i>	A, C
Mr. CHIU George	A, C
Mrs. SU TAN Jennifer Sze Tink	A, B, C
Mr. SCHWEIZER Jeffrey William	A, C
Non-Executive Directors	
Dr. TAN Siu Lin, <i>SBS (Chairman)</i>	A, C
Mr. TAN Willie	A, C
Independent Non-Executive Directors	
Prof. CHAN Pak Woon David	A, B, C
Mr. MA Andrew Chiu Cheung	A, B, C
Mr. CHAN Leung Choi Albert	A, C

A: attending in-house training arranged by the Company

B: attending external seminars/conferences/workshops/forums

C: reading newspapers/journals and updates relevant to their profession, business, corporate governance and director's duties and responsibilities

Meeting of the Board and the Directors' attendance record

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. During the Period, three Board meetings were held with full attendance, details of which are presented below:

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		
Dr. TAN Henry, <i>BBS, JP (Vice Chairman and Chief Executive Officer)</i>	3/3	100%
Mr. CHIU George	3/3	100%
Mrs. SU TAN Jennifer Sze Tink	3/3	100%
Mr. SCHWEIZER Jeffrey William	3/3	100%
Non-Executive Directors		
Dr. TAN Siu Lin, <i>SBS (Chairman)</i>	3/3	100%
Mr. TAN Willie	3/3	100%
Independent Non-Executive Directors		
Prof. CHAN Pak Woon David	3/3	100%
Mr. MA Andrew Chiu Cheung	3/3	100%
Mr. CHAN Leung Choi Albert	3/3	100%

Corporate Governance Report

Apart from Board meetings, consent/approval from the Board had also been obtained by written resolutions on a number of matters.

The Company was incorporated on October 18, 2018. No general meeting of the Company was held for the year ended December 31, 2018.

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The management has the obligation to supply the Board and the Board Committees with adequate information in a timely manner to enable the members to make informed decisions. The notice of a Board meeting is generally released at least 14 days in advance, while the finalized agenda and relevant materials are released no less than 3 days in advance.

The Company Secretary is responsible for taking minutes of the Board meetings. Draft and final minutes are sent to all Directors for comments within a reasonable time. All board papers and minutes are also made available for inspection by the Board and the Board Committees. A final draft of each minutes of meetings is made available for inspection by Directors.

The Company's Articles provide that a Board meeting shall be held (instead of passing a resolution in writing) in cases where a substantial shareholder or Director has a material conflict of interest in a matter. In the relevant Board meeting, the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the requirement of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Period and as of the date of this annual report, Dr. Tan Siu Lin is the Chairman of the Board and Dr. Tan Henry is the Chief Executive Officer (the "**CEO**") of the company. The Chairman's role is to provide leadership to and oversee the functioning of the Board to ensure that the Board acts in the best interests of the Group. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters raised by other Directors for inclusion in the agenda. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive reliable, adequate and complete information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The CEO is in charge of the Company's operations and day-to-day management. The CEO is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

Ms. Cheung Pik Shan Bonnie was appointed as the Company Secretary of the Company on April 9, 2019. The Company Secretary's biography is set out in the section headed "Management Executives" on pages 20 to 22 of this annual report. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (collectively, “**Board Committees**”) in accordance with the CG Code and these Board Committees are mainly composed of independent non-executive Directors. Each of these Board Committees has specific written terms of reference which are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties, including access to the management and/or independent professional advice if considered necessary.

AUDIT COMMITTEE

The Audit Committee was established on the Listing Date with written terms of reference in compliance with the CG Code.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Andrew Chiu Cheung, Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David. The Audit Committee is chaired by Mr. Ma Andrew Chiu Cheung. None of the members of the Audit Committee is a former partner of the external auditor. The Audit Committee must meet not less than two times a year with the Company’s external auditor and meetings shall be held at such other times on an ad hoc/as-needed basis. It meets with the external auditor and the management of the Group to ensure that the audit findings are addressed properly. The Audit Committee has access to independent professional advice at the Company’s expense if considered necessary. Since the Listing Date, we have engaged BDO Financial Service Limited (“**BDO**”) to provide internal auditing service.

The principal responsibilities of the Audit Committee include the following:

- (i) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, to monitor the external auditor’s independence and objectivity, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor;
- (ii) to review and monitor the integrity of the Company’s financial statements and reports and consider any significant or unusual items raised by the external auditor or qualified accountant before submission to the Board;
- (iii) to review the effectiveness and adequacy of the Company’s financial reporting system, internal control systems and associated procedures, risk management and corporate governance matters; and
- (iv) to review the adequacy of resources, qualifications, experience, training programs and budget of the staff of the Group’s financial reporting and accounting and internal audit functions.

The Audit Committee held two meetings during the Period to review and adopt the internal audit plan proposed by BDO, to review the Group’s financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, other corporate governance matters and the appointment of the external auditor. The Audit Committee recommended to the Board that, subject to the Shareholders’ approval at the forthcoming AGM of the Company, Messrs. PricewaterhouseCoopers (“**Auditor**”) be re-appointed as the external auditor of the Group for the financial year ending December 31, 2020.

The attendance record of the two Audit Committee meetings during the Period is presented below:

Audit Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Mr. MA Andrew Chiu Cheung (<i>Chairman</i>)	2/2
Mr. CHAN Leung Choi Albert	2/2
Prof. CHAN Pak Woon David	2/2

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was established on the Listing Date with terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include recommending to the Board the remuneration policy and structure of all the Directors and the senior management and evaluating their performance in order to make recommendations on the individual remuneration package of each of the Directors and senior management. In addition, the Remuneration Committee provides effective supervision and administration of the Company's share option scheme.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David, and an executive Director, Dr. Tan Henry. The Remuneration Committee is chaired by Mr. Chan Leung Choi Albert.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle. The chairman of the Remuneration Committee is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Remuneration Committee did not hold any meeting during the Period. Up to the date of this annual report, the Remuneration Committee held one meeting with all members present on March 26, 2020.

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain legal or other independent professional advice at the cost of the Company if it considered necessary.

Pursuant to code provision B.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of Directors and five highest paid individuals disclosed in notes 36(a) and 9(a) to the consolidated financial statements pursuant to Appendix 16 to the Listing Rules) paid by the Group by band for the Year is set out below:

Emolument band	Number of Individuals
US\$128,205 to US\$192,308 (equivalent to HK\$1,000,001 to HK\$1,500,000)	1
US\$64,103 to US\$128,205 (equivalent to HK\$500,001 to HK\$1,000,000)	1

During the Year, total Directors' remuneration amounted to approximately US\$684,000 (2018: US\$165,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 36(a) to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on the Listing Date with written terms of reference in compliance with the requirements of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify suitably qualified candidates to become members of the Board, develop the Board Diversity Policy (as defined below), assess the independence of independent non-executive Directors, and make recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee comprises two independent non-executive Directors, namely Prof. Chan Pak Woon David and Mr. Chan Leung Choi Albert, and an executive Director, Dr. Tan Henry. The Nomination Committee is chaired by Prof. Chan Pak Woon David.

A meeting of the Nomination Committee is required to be held at least once a year. The Nomination Committee did not hold any meeting during the Period. Up to the date of this annual report, the Nomination Committee held one meeting with all members present on March 23, 2020.

Board Diversity Policy

The Board has adopted a policy on board diversity ("**Board Diversity Policy**") with effect from the Listing Date which sets out the Company's approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board as it promotes board effectiveness and enables better decisions to be made. A truly diverse Board will include and make good use of differences in the qualifications, skills, experience, gender, age, cultural and education background and other qualities of the Directors.

Under the Board Diversity Policy, diversity will be considered from all relevant aspects when determining the optimum structure, size and composition of the Board. The Board may consider other factors as appropriate from time to time, taking into account the Company's business model and specific needs. All Board appointments are ultimately made on merit and contribution that the potential candidates will bring to the Board, having due regard for the benefits of diversity and the specific needs of the Company, without focusing on a single diversity aspect.

Nomination Policy

Under the director nomination policy ("**Nomination Policy**") adopted by the Board with effect from the Listing Date, when assessing and selecting candidates for directorships, the Nomination Committee will consider the following factors:

- (i) whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;
- (ii) the individual's character and reputation for integrity;
- (iii) whether the individual would be able to devote sufficient time to the Board;
- (iv) (in respect of appointment and reappointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;
- (v) how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy; and
- (vi) Board succession planning considerations.

Nevertheless, the ultimate responsibility for the selection and appointment of Directors rests with the entire Board.

Corporate Governance Report

Nomination Procedures

On March 23, 2020, the Nomination Committee adopted the following nomination procedures for the appointment and reappointment of Directors.

Appointment of Directors

- (i) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate;
- (ii) The Nomination Committee may use any process it deems appropriate to evaluate the candidate(s), which may include personal interviews, background checks, presentations or written submissions by the candidate(s) and third party references;
- (iii) The Nomination Committee makes recommendation(s) to the Board;
- (iv) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;
- (v) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by Shareholders at the next annual general meeting after initial appointment in accordance with the Company's Articles; and
- (vi) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Re-appointment of Directors

- (i) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines, and assesses the independence of each retiring independent non-executive Director;
- (ii) The Nomination Committee makes recommendation(s) to the Board;
- (iii) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;
- (iv) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's Articles; and
- (v) The Shareholders approve the re-election of Directors at the annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions including:

- (i) to develop and review the Company's policies, procedures and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review the effectiveness of the risk management and internal control system on an ongoing basis and to remedy material internal control weaknesses;
- (iv) to review and monitor the Company's policies, procedures and practices on compliance with legal and regulatory requirements;
- (v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (vi) to review the adequacy of resources, staff competency, training programs and budget of the Company's accounting, internal audit and financial reporting functions; and
- (vii) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board's annual review of the Company's corporate governance practices for the Period has covered the aforesaid matters. This corporate governance report has been reviewed by the Board in fulfillment of its corporate governance responsibilities.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibility in publishing financial statements for each financial period which give a true and fair view of the state of affairs of the Group and a clear and accurate assessment of the results and cash flows for that period. The Auditor's statement regarding its reporting responsibilities in respect of the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 57 to 60 of this annual report. The Directors, having made the relevant enquiries, confirm that there are no material uncertainties relating to events which may affect the Company's ability to continue as a going concern. In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the "Chairman's Statement" and the "Management Discussion and Analysis" sections on pages 6 to 9 and pages 12 to 19 respectively.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for the systems of risk management and internal controls of the Company and for reviewing their effectiveness through the Audit Committee at least annually. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented effective and adequate risk management and internal controls systems to safeguard the interests of the Shareholders and the Group's assets.

Corporate Governance Report

The internal control procedures of the Group feature a comprehensive budgeting and financial/management reporting system to facilitate the management's ongoing review and oversight. Business strategic plans and budgets are prepared on an annual basis by the management of individual business and subject to review and approval by the Board. During the budget setting process, the likelihood and potential financial impact of fundamental business risks have been identified, evaluated and reported by the management. Specific procedures and guidelines have been established for management approval and control of capital expenditures, mergers and acquisitions, unbudgeted items, operating expenses and other matters.

The executive Directors review the monthly management reports of major business units and the financial results and hold periodic meetings with senior finance and operational management teams to review and discuss the business performance against budget, market outlooks and to address deficiencies of any key issues on a timely basis.

The Group has adopted a principle of minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk are set out in note 3 to the consolidated financial statements on pages 88 to 94 of this annual report.

All major operations are governed by its standard operating procedures with authorization matrix and supplemented by written policies and procedures tailored to the respective business units and support functions. These policies and procedures are aimed to provide guidelines on key risk management and control standards for our global operations and are updated on a regular and timely basis.

The Group has engaged BDO to provide internal auditing service (the “**Internal Audit**”) upon the Listing Date for the Period. BDO is an independent internal audit services provider approved and adopted by the Audit Committee. BDO acts as a significant independent resource in assisting the Audit Committee in achieving good corporate governance and exercising its oversight responsibility to ensure the effectiveness of the Group's internal control system and performing evaluation of the adequacy of the controls established to safeguard Shareholders' investment and the Group's assets on an ongoing basis. BDO has a direct reporting line to the Audit Committee.

BDO independently reviews compliance with the Group's policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness.

The Internal Audit plan is risk-based and covers the Group's significant operations over a cycle and recurring basis. The Internal Audit plan is reviewed and endorsed by the Audit Committee. Representatives from BDO attend meetings of the Audit Committee held during the Period to report its progress in achieving the Internal Audit plan. The scope of the Internal Audit covers significant controls including financial, operational and compliance controls and risk management policies and procedures. Major findings and recommendations including the implementation status of agreed recommendations are reported at the Audit Committee meetings. In respect of the Period, no major issues but areas of improvement have been identified. The Directors and the Audit Committee considered that the major areas of the internal control systems of the Group are reasonably effective and adequately implemented.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for the Period, management teams of business units also conducted an internal control self-assessment of business operations and relevant accounting functions and considered that sound risk management and internal control practices were in place for the Period.

The Auditor performed independent statutory audits of the Group's consolidated financial statements. The Auditor also reported to the Audit Committee that there is no significant weaknesses in our internal control which come to notice during the course of the audit.

The Group has adopted a code of business ethics which requires all Directors and employees to comply with a set of high ethical standards in conducting the business. The Company has also adopted the inside information policy setting out the guidelines for handling and dissemination of inside information to the Directors and employees of the Group in accordance with the applicable laws and regulations.

Up to the date of approval of this annual report, based on the respective assessments made by management and BDO, and also taking into account the results of the audit conducted by the Auditor, the Audit Committee and the Directors considered that:

- (i) The risk management, internal control and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;
- (ii) The risk management and internal controls systems of the Group have been implemented with room for improvement and BDO has actively conducted follow-up audit for any improvements which were identified; and
- (iii) There is a reasonably effective and adequate on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

External Auditor

The Auditor has been appointed as the external auditor of the Company for the Year. The consolidated financial statements for the Year have been audited by the Auditor. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by the Auditor and considered that such services have no adverse effect on the independence of the Auditor.

During the Year, remuneration of approximately US\$300,000 was paid/payable to the Auditor for the provision of audit services. In addition, approximately US\$21,000 was paid/payable to the Auditor for other non-audit services.

SHAREHOLDERS' RIGHTS

A summary of certain rights of the Shareholders is set out below:

Procedures for putting forward proposals at Shareholders' meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the annual general meetings under the Articles or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to convene an Extraordinary General Meeting" set out below.

Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles, any 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 carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

Any written requisition to convene an EGM must state the objects of the EGM and must be signed by the requisitionist(s) concerned and deposited at the registered office of the Company (presently at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong) marked for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionist(s) concerned.

The EGM convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to the Directors or management of the Company in writing through the Company Secretary of the Company whose contact details are as follow:

S.A.I. Leisure Group Company Limited
5th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Email: ir@saileisuregroup.com

The Company Secretary will forward the Shareholders' enquiries, comments and suggestions to the Board and/or the relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, who has been appointed by the Company to deal with Shareholders for share registration and related matters.

Procedures for Shareholders to propose a person for election as a Director

With effect from the Listing Date, the Company adopted a formal, considered and transparent procedure for Shareholders to propose a person for election as a Director. The following procedures are subject to the Company's Articles, the Companies Law of the Cayman Islands and applicable legislation and regulation:

- (i) If a Shareholder, who is entitled to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person (other than himself/herself) for election as a Director at that meeting, he/she may lodge a written notice with the Company Secretary of the Company at 5/F, Nanyang Plaza, 57 Hung To Road, Kowloon, Hong Kong.
- (ii) In order for the Company to inform all Shareholders of that proposal, the written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the Shareholder concerned and the person who has been proposed indicating his/her willingness to be elected.
- (iii) The period for lodgement of the above notice shall be a seven-day period commencing on a day after the despatch of the notice of the general meeting appointed for such election of Director(s). If the Directors should determine and notify the Shareholders of a different period for lodgement of the above notice, such period shall in any event be a period of not less than seven days, commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting.

- (iv) Upon receipt of the above notice from a Shareholder which is received after publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars of the proposed Director pursuant to Rule 13.51(2) of the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director at the forthcoming AGM, please refer to the notice of the AGM to be published for further information on the relevant nomination period.

DIVIDEND POLICY

The Company intends to maintain a balance between rewarding the Shareholders and retaining adequate capital for development and operation of the Company's business. The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the Shareholders. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

According to the Dividend Policy, in deciding whether to declare or recommend a dividend, the Board shall consider the following factors:

- (i) the general financial condition of the Group;
- (ii) the actual and future operations and liquidity positions of the Group;
- (iii) the future cash requirements and availability;
- (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (v) the general market conditions;
- (vi) the future development of the Group; and
- (vii) any other factor that the Board deems appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period.

COMPLIANCE ADVISER

With effect from the Listing Date, the Company has appointed Elstone Capital Limited as its compliance adviser ("**Compliance Adviser**") to provide guidance and advice to the Company in respect of compliance with the Listing Rules and other laws, regulations and practice governing listed issuers in Hong Kong, including but not limited to various requirements relating to Directors' duties and internal controls. The Compliance Adviser, its directors, employees and close associates have no interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Board believes the importance of maintaining transparent, timely and effective communication with the Shareholders and investors of the Company. Effective communication with Shareholders enables Shareholders to have a clear assessment of the Group's performance and establishes investor confidence and enables them to engage actively with the Company and exercise their rights as shareholders in an informed manner. Major means of communication with the Shareholders adopted by the Company are as follows:

Financial and other reporting

The Company reports operating results on a half-yearly basis and produces interim and annual reports in accordance with the Listing Rules and other applicable laws and regulations. From time to time, the Company communicates other information to Shareholders by way of Company's announcement and/or circular, in compliance with the relevant regulatory requirements or otherwise.

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.saileisuregroup.com). In addition to a dedicated "Investor Relations" section in which the annual reports, interim reports, announcements and circulars of the Company are posted as soon as practicable following their release to the Stock Exchange on the website of HKEX, relevant press releases and speeches are also made available on the Company's website to facilitate communication between the Company, Shareholders and the investment community.

General meetings with Shareholders

The annual general meetings and other general meetings of the Company are the primary forum for communication with Shareholders and for Shareholders' participation. Voting at general meetings is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on the respective websites of the Stock Exchange and the Company after the conclusion of the general meetings. The Company encourages Shareholders to participate in shareholders' meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

The 2020 AGM of the Company will be held on June 2, 2020. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM. The Chairman and members of the Board and chairmen of the various Board committees or their duly appointed delegates will attend the forthcoming AGM to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the then Shareholders passed on April 9, 2019, the amended and restated Memorandum of Association (the "**Memorandum**") and the amended and restated Articles of the Company were adopted with effect from the Listing Date. Save as disclosed above, there was no change in the constitutional documents of the Company during the Year. The Memorandum and Articles are available on the respective websites of the Stock Exchange and the Company.

Independent Auditor's Report

To the Shareholders of S.A.I. Leisure Group Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of S.A.I. Leisure Group Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 61 to 139, which comprise:

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

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to revenue recognition.

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to Note 2.24 for the Group's accounting policies on revenue recognition and Note 6 for the analysis of revenue of the Group for the year ended December 31, 2019.

The Group's major revenue transactions are from room rentals, food and beverage and retail sales of luxury and leisure clothing and accessories. In 2019, revenue of the Group amounted to US\$98,699,000, of which approximately 44.7%, 18.9% and 30.7% were resulted from room rentals, food and beverage and retail sales of luxury and leisure clothing and accessories, respectively.

We focused on revenue recognition of room rentals, food and beverage and retail sales of luxury and leisure clothing and accessories due to its magnitude and the characteristics of the Group's industry nature. The recording of revenue involves huge volume of small amount transactions. Therefore it required significant time and resource to perform relevant audit procedures in these areas.

For revenue from room rentals and food and beverage, our procedures performed included:

- understanding, evaluating and validating management's key internal controls in its revenue recognition process;
- involving Information Technology ("IT") specialist to understand, evaluate and validate the general IT controls of the property management system and point of sales systems and other automated controls over revenue recognition and tested the operating effectiveness of those controls;
- testing sales transactions, on a sample basis, by tracing to relevant evidences including but not limited to invoices, bank receipt records, booking confirmation and reservation forms, approved price list;
- testing sales transactions relating to room rentals that took place shortly before and after the balance sheet date to assess whether revenue was recognized in the correct reporting periods; and
- testing journal entries posted to revenue accounts selected on risk-based criteria.

For revenue from retail sales of luxury and leisure clothing and accessories, our procedures performed included:

- understanding and evaluating management's key internal controls in its revenue recognition process;
- test of details by selecting revenue transactions on a sample basis from retail outlets and examine the relevant supporting documents, such as the copy of receipts or credit card slips; and
- testing journal entries posted to revenue accounts selected on risk-based criteria.

Based on our works performed, we found the sales transactions being tested were supported by appropriate evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cheung Kin Bong.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 26, 2020

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	Note	2019 US\$'000	2018 US\$'000
Revenue	6	98,699	100,178
Cost of inventories sold	8	(16,617)	(15,839)
Food and beverage costs	8	(6,337)	(6,367)
Employee benefit expenses	8	(24,962)	(24,083)
Utilities, repairs and maintenance	8	(7,000)	(6,887)
Operating lease expenses	8	—	(5,411)
Short-term leases expenses	8	(388)	—
Variable lease payments	8	(1,136)	—
Other (losses)/gains, net	7	(265)	8
Operating and other expenses	8	(31,414)	(29,180)
Operating profit		10,580	12,419
Finance income	10	427	11
Finance costs	10	(737)	(11)
Finance costs, net	10	(310)	—
Profit before income tax		10,270	12,419
Income tax expense	11	(95)	(650)
Profit for the year		10,175	11,769
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		3	—
Total comprehensive income for the year		10,178	11,769
Profit attributable to:			
Owners of the Company		10,100	11,694
Non-controlling interests		75	75
		10,175	11,769
Total comprehensive income attributable to:			
Owners of the Company		10,103	11,694
Non-controlling interests		75	75
		10,178	11,769
Earnings per share attributable to owners of the Company			
— Basic and diluted (US cents)	13	3.1	4.3

The notes on page 67 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	2019 US\$'000	2018 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	51,478	38,202
Investment properties	16	2,507	2,622
Intangible assets	17	357	422
Deferred income tax assets	27	2,035	1,748
Deposits and prepayments	21	681	1,032
Financial asset at fair value through other comprehensive income	18	507	—
		57,565	44,026
Current assets			
Inventories	19	8,290	8,944
Trade receivables	20	3,551	4,138
Deposits, prepayments and other receivables	21	2,668	2,934
Amount due from the intermediate holding company	31(d)	—	453
Amounts due from related parties	31(d)	50	7,633
Income tax recoverable		2,461	2,967
Cash and cash equivalents	22	56,602	4,792
		73,622	31,861
Total assets		131,187	75,887
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	461	—
Share premium	23	38,122	—
Capital reserve	24	27,006	27,006
Other reserve	24	4,839	4,809
Retained earnings		31,801	21,701
		102,229	53,516
Non-controlling interests	25	1,357	1,609
Total equity		103,586	55,125

Consolidated Statement of Financial Position

As at December 31, 2019

	Note	2019 US\$'000	2018 US\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15	14,714	—
Deferred income tax liabilities	27	762	956
		15,476	956
Current liabilities			
Trade and other payables	26	9,086	8,667
Contract liabilities	6	413	453
Lease liabilities	15	2,481	—
Amounts due to related parties	31(d)	70	10,686
Income tax payable		75	—
		12,125	19,806
Total liabilities		27,601	20,762
Total equity and liabilities		131,187	75,887

The consolidated financial statements on pages 61 to 139 were approved by the Board of Directors on March 26, 2020 and were signed on its behalf.

.....
Dr. Tan Siu Lin
Director

.....
Dr. Tan Henry
Director

The notes on page 67 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company					Non-controlling interests	Total
	Share capital US\$'000 (Note 23)	Share premium US\$'000 (Note 23)	Capital reserve US\$'000 (Note 24)	Other reserve US\$'000 (Note 24)	Retained earnings US\$'000	Subtotal US\$'000	US\$'000
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 owners in their capacity as owners:							
Contribution from the intermediate holding company (Note 11)	—	—	—	341	—	341	— 341
Dividend declared (Note 12)	—	—	—	—	(7,600)	(7,600)	— (7,600)
	—	—	—	341	(7,600)	(7,259)	— (7,259)
Balance at December 31, 2018	—	—	27,006	4,809	21,701	53,516	1,609 55,125

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company					Non-controlling interests		Total
	Share capital US\$'000 (Note 23)	Share premium US\$'000 (Note 23)	Capital reserve US\$'000 (Note 24)	Other reserve US\$'000 (Note 24)	Retained earnings US\$'000	Subtotal US\$'000	US\$'000	
Balance at January 1, 2019	—	—	27,006	4,809	21,701	53,516	1,609	55,125
Profit for the year	—	—	—	—	10,100	10,100	75	10,175
Other comprehensive income:								
Changes in value of debt investments at fair value through other comprehensive income	—	—	—	3	—	3	—	3
Total comprehensive income	—	—	—	3	10,100	10,103	75	10,178
Transactions with owners in their capacity as owners:								
Issue of shares by Capitalization Issue	346	(346)	—	—	—	—	—	—
Issue of shares pursuant to public offering	115	40,731	—	—	—	40,846	—	40,846
Listing expenses related to the issue of new shares	—	(2,263)	—	—	—	(2,263)	—	(2,263)
Transactions with non-controlling interests	—	—	—	27	—	27	(327)	(300)
Total transactions with owners	461	38,122	—	27	—	38,610	(327)	38,283
Balance at December 31, 2019	461	38,122	27,006	4,839	31,801	102,229	1,357	103,586

The notes on page 67 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Note	2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Net cash generated from operations	29(a)	18,871	4,339
Income taxes refunded		245	—
Income tax paid		(240)	(657)
Net cash generated from operating activities		18,876	3,682
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,242)	(3,986)
Proceeds from disposal of property, plant and equipment	29(b)	125	28
Acquisition of intangible assets		(60)	—
Acquisition of retail operation, net of cash acquired	30	—	(1,586)
Purchase of financial asset at fair value through other comprehensive income		(504)	—
Repayment from the intermediate holding company		—	5,000
Interest received		417	11
Net cash used in investing activities		(2,264)	(533)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares upon listing		40,846	—
Listing expenses paid		(2,263)	(219)
Principal elements of lease payments	29(d)	(2,348)	—
Repayment of borrowings		—	(5,000)
Interest paid		(737)	(11)
Payment of consideration for the acquisition of additional interests in subsidiaries	25	(300)	—
Net cash generated from/(used in) financing activities		35,198	(5,230)
Net increase/(decrease) in cash and cash equivalents		51,810	(2,081)
Cash and cash equivalents at beginning of year		4,792	6,873
Cash and cash equivalents at end of the year	22	56,602	4,792

The notes on page 67 to 139 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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, and its principal place of business in Hong Kong is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the **"Group"**) are principally engaged in hotels and resorts operations in Saipan and Guam, travel retail business of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii and provision of destination services in Saipan (collectively, the **"Businesses"**). The immediate holding company and intermediate holding company of the Company are THC Leisure Holdings Limited (**"THC Leisure"**) and Tan Holdings Corporation (**"Tan Holdings"**), respectively. Dr. Tan Siu Lin and Dr. Tan Henry (the son of Dr. Tan Siu Lin) are ultimate controlling parties.

The Company has had its shares listed (the **"Listing"**) on the Main Board of The Stock Exchange of Hong Kong Limited since May 16, 2019 (the **"Listing Date"**).

These consolidated financial statements are presented in United States dollars (**"US Dollars"** or **"US\$"**) and all values are rounded to the nearest thousand (US\$'000), unless otherwise stated.

1.2 Reorganization

Immediately prior to the incorporation of the Company and the completion of reorganization (the **"Reorganization"**) as described below, the 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"**) immediate before and after the group reorganization prior to the Listing (the **"Reorganization"**).

In preparation of the listing, the Group underwent the Reorganization which principally 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 (the **"CNMI"**).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION *(Continued)*

1.2 Reorganization *(Continued)*

- (a) Incorporation of the immediate holding company, the Company and investment holding companies:
(Continued)
 - (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 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION *(Continued)*

1.2 Reorganization *(Continued)*

- (c) Transfer of shares in Guam incorporated Operating Subsidiaries engaged in the 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.

1.3 Basis of presentation

The consolidated financial statements have been prepared by including the financial information of the companies engaged in the 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 statement of financial position throughout the year.

The consolidated statement 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA and disclosure requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs 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 where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) *New and amended standards and interpretations adopted by the Group*

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing January 1, 2019:

Annual Improvements Project	Annual Improvements 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16 Leases. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for December 31, 2019 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	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 new and amended standards and interpretations when they become effective. Management is in the process of assessing the impact of these new and amended standards and interpretations to existing HKFRSs and none of these is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 2.25.

On adoption of HKFRS 16 Leases, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.1%.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(i) Practical expedients applied

In applying HKFRS 16 Leases for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at January 1, 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	US\$'000
Operating lease commitments disclosed as at December 31, 2018	29,541
Discounted using the lessee's incremental borrowing rate of at the date of initial application	19,098
(Less): short-term leases not recognized as a liability	(272)
Lease liability recognized as at January 1, 2019	18,826
Of which are:	
Current lease liabilities	2,331
Non-current lease liabilities	16,495
	18,826

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the consolidated statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(iv) Adjustments recognized in the consolidated statement of financial position on January 1, 2019

Consolidated statement of financial position (extract)	December 31, 2018 (as previously presented) US'000	Effect of adoption of HKFRS 16 US'000	January 1, 2019 (as restated) US'000
Non-current assets			
Property, plant and equipment	38,202	19,230	57,432
Deposits and prepayments	1,032	(296)	736
Current assets			
Deposits, prepayments and other receivables	2,934	(108)	2,826
Non-current liabilities			
Lease liabilities	—	(16,495)	(16,495)
Current liabilities			
Lease liabilities	—	(2,331)	(2,331)

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2.3 Subsidiaries

2.3.1 Business combination under common control

The consolidated financial statements 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 statement 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 consolidated financial statements includes the entities that were engaged in the 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Consolidation

Subsidiaries are all entities (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 statement 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Subsidiaries *(Continued)*

2.3.2 Consolidation *(Continued)*

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.

2.4 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 consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "**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.

2.6 Foreign currency translation

(i) **Functional and presentation currency**

Items included in the financial statements 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 consolidated financial statements 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 statement of comprehensive income within "Other (losses)/gains, net".

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(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.

2.7 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 statement 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 2.11).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 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 2.7.

2.9 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 statement 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 statement of comprehensive income in the period of the retirement or disposal.

2.10 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 2.11). Brand franchises and distribution rights are agreements entered into with the brand owners by the Group in the capacity as franchisee.

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.

Variable franchisee fee paid to certain brand owners are not recognized upon initial recognition but expensed 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
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Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 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 reporting date.

2.12 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 reclassifies debt investments when and only when its business model for managing those assets changes.

(b) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) **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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(c) Measurement (Continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

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. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other (losses)/gains, net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other (losses)/gains, net" and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other (losses)/gains, net" in the period in which it arises.

Management has assessed the business model for the debt investments, and the Group elected to present in other comprehensive income for the fair value changes of all debt investments, as management considered that all debt investments are held within a portfolio with the objective by both collecting contractual cash flows that meet the "solely payments of principal and interest" criterion and selling financial assets.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 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.

2.14 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.

2.15 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 including linens and toiletries are expensed-off as incurred.

2.16 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 2.12 for further information about the Group's accounting for trade receivables and a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 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.

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 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.

2.20 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.

2.21 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(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 year, 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\$19,000 (2018: US\$18,500) for the year ended December 31, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

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 considers 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(a) Hotel and hospitality

Hotel and hospitality 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-operates 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 statement 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 and leisure clothing and accessories, souvenirs and others

The Group procures merchandises 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 and concierge services

The Group provides short-term self-operated excursion tour operation and land arrangement and concierge 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 and concierge 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (Note 28). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of retail stores and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (Note 16). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's 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.

2.27 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.28 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statement 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 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 Group mainly operate in Saipan, Guam, Hawaii and Hong Kong with most of the transactions settled in US\$ and Hong Kong dollars ("**HK\$**"). 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 HK\$ is pegged to US\$, the directors considered the foreign exchange risk on HK\$ to the Group is minimal.

As at December 31, 2019, 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, 2019, 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\$195,000 higher/lower (2018: US\$23,000).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash at bank, debt instrument at FVOCI, 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.

While cash at bank and debt investments carried at FVOCI are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the counterparties are of high credit quality with no history of default.

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, 2019, 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 year ended December 31, 2019.

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, 2019 is determined as follows; the expected credit losses below also incorporate forward looking information.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(a) Trade receivables (Continued)

The provision for trade receivables from third parties of hotel operation as at December 31, 2019 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, 2019						
Expected loss rate	2.0%	7.7%	18.5%	38.5%	40.0%	
Gross carrying amount (US\$'000)	1,993	416	27	13	335	2,784
Loss allowance provision (US\$'000)	40	32	5	5	134	216
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, 2019, the ageing of past due over 90 days included trade receivable from a government customer of approximately US\$201,000. Since this customer has strong financial ability with low credit risk, there was rare actual default for this receivable. The Group has assessed that the expected loss rate for such trade receivables was immaterial and no loss allowance provision for trade receivables relating to such customer was recognized as at December 31, 2019.

As at December 31, 2019, the carrying amount of trade receivables from third parties of retail operation and destination service were approximately US\$128,000 (2018: US\$192,000), the management has assessed that the expected credit losses rate for these receivables is immaterial.

Please refer to Note 20 for the movements on the provision for impairment of trade receivables.

For the year ended December 31, 2019, the provision for loss allowances were recognized in the consolidated statement of comprehensive income in "Operating and other expenses" in relation to impaired trade receivables.

As at December 31, 2019, the carrying amount of trade receivables from third parties were approximately US\$2,696,000 (2018: US\$3,010,000), and thus the maximum exposure to loss was approximately US\$2,696,000 (2018: US\$3,010,000).

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

- (b) *Deposits and other receivables, amount due from the intermediate holding company and amounts due from related parties (Continued)*

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, 2019, 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 year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

- (b) Deposits and other receivables, amount due from the intermediate holding company and amounts due from related parties (Continued)

As at December 31, 2019, the maximum exposure to loss of these financial assets were as follows:

	2019 US\$'000	2018 US\$'000
Deposits and other receivables	706	662
Amount due from the intermediate holding company	—	453
Amounts due from related parties	50	7,633
	756	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 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.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the end of the reporting period).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

At December 31, 2019

Trade and other payables
Lease liabilities
Amounts due to related parties

Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
7,282	—	—	—	7,282
3,130	2,465	3,628	18,242	27,465
70	—	—	—	70
10,482	2,465	3,628	18,242	34,817

At December 31, 2018

Trade and other payables
Amounts due to related parties

7,028	—	—	—	7,028
10,686	—	—	—	10,686
17,714	—	—	—	17,714

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 lease liabilities (including "current and non-current lease liabilities" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

The gearing ratios as at December 31 were as follows:

	2019 US\$'000	2018 US\$'000
Lease liabilities (Note 15)	17,195	—
Less: Cash and cash equivalents (Note 22)	(56,602)	(4,792)
Net cash	(39,407)	(4,792)
Total capital	103,586	55,125
Gearing ratio	N/A	N/A

As at December 31, 2019 and 2018, the gearing ratio is not applicable due to net cash position.

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value estimation of the financial asset at fair value through other comprehensive income is categorized in level 1 hierarchy.

The carrying value of the Group's financial assets and liabilities are reasonable approximation to their fair values.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at December 31, 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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 receivables

The Group's management determines the provision for impairment of trade 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. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5 SEGMENT INFORMATION

The executive directors have been identified as the Group's CODM. The CODM has determined the operating segments based on the reports reviewed by them 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 CODM has identified three reportable operating segments as follows:

- (a) Hotels and resorts: operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam ("**Hotels & Resorts Segment**");
- (b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii ("**Luxury Travel Retail Segment**");
- (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 and concierge services ("**Destination Services Segment**").

The Group's business activities are conducted predominantly in Saipan, Guam and Hawaii.

The Group's CODM assesses the performance of the operating segments based on adjusted operating profit. 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2019 are as follows:

	Year ended December 31, 2019				
	Hotels and Resorts US\$'000	Luxury Travel Retail US\$'000	Destination Services US\$'000	Unallocated US\$'000	Total US\$'000
Revenue					
Total segment revenue	64,891	30,312	3,676	—	98,879
Inter-segment revenue	(180)	—	—	—	(180)
Revenue from external customers	64,711	30,312	3,676	—	98,699
Segment results	12,659	690	238	(1,218)	12,369
Other losses, net					(265)
Listing expenses					(1,524)
Finance income					427
Finance costs					(737)
Profit before income tax					10,270
Income tax expense					(95)
Profit for the year					10,175
Profit for the year includes:					
Depreciation for property, plant and equipment	5,092	3,450	260	41	8,843
Depreciation for investment properties	115	—	—	—	115
Amortization for intangible assets	116	8	1	—	125
Provision for obsolete inventory	—	76	12	—	88
Provision of impairment of trade receivables	56	—	—	—	56
Capital expenditure	1,827	1,006	28	166	3,027

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018			
	Hotels and Resorts US\$'000	Luxury Travel Retail US\$'000	Destination Services US\$'000	Total 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)
Capital expenditure	2,497	738	139	3,374

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

5 SEGMENT INFORMATION *(Continued)*

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 statement of comprehensive income.

Geographical information

The amount of revenue from external customers broken down by geographical location is as follows:

	2019 US\$'000	2018 US\$'000
Saipan	55,486	59,532
Guam	36,882	35,163
Hawaii	6,331	5,483
	98,699	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, are shown as below:

	2019 US\$'000	2018 US\$'000
Saipan	13,726	13,801
Guam	38,428	27,835
Hawaii	2,063	4
Hong Kong	125	—
	54,342	41,640

Information about major customers

The revenue from external parties is derived from numerous external customers and the revenue reported to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	2019 US\$'000	2018 US\$'000
Customer A	10,994	11,467

All other customers individually accounted for less than 10% of the Group's revenue for the year ended December 31, 2019.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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:

	2019 US\$'000	2018 US\$'000
Room rentals	44,073	45,652
Food and beverage	18,618	18,886
Retailing		
— Luxury and leisure clothing and accessories	30,312	28,979
— Souvenirs and others	1,501	1,561
Operating excursion tour and rendering of land arrangement and concierge services	2,175	3,041
Other hospitality (Note (i))	1,048	939
Space rental income (Note (ii))	972	1,120
	98,699	100,178

Notes:

- (i) Other hospitality mainly represents late check-out charges, cancellation charges, 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.

	2019 US\$'000	2018 US\$'000
Timing of revenue recognition		
At point in time	53,281	52,530
Over time	44,446	46,528
	97,727	99,058
Revenue from other sources:		
Rental income	972	1,120
	98,699	100,178

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

6 REVENUE (Continued)

(b) Contract liabilities

The Group has recognized the following revenue-related contract liabilities:

	2019 US\$'000	2018 US\$'000
Contract liabilities related to hotel operation (Note (i), (ii))	413	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.

	2019 US\$'000	2018 US\$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year — hotel operation	453	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, 2019, 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 of not disclosing the amount of the transaction price allocated to remaining performance obligations, as the performance obligations are part of a contract that has an original expected duration of one year or less.

7 OTHER (LOSSES)/GAINS, NET

	2019 US\$'000	2018 US\$'000
Net exchange losses	(252)	(2)
(Losses)/gains on disposal of property, plant and equipment	(13)	10
	(265)	8

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

8 EXPENSES BY NATURE

	2019 US\$'000	2018 US\$'000
Cost of inventories sold (Note 19)	16,617	15,839
Food and beverage costs	6,337	6,367
Employee benefit expenses (Note 9)	24,962	24,083
Utilities, repairs and maintenance	7,000	6,887
Operating lease expenses	—	5,411
Short-term leases expenses	388	—
Variable lease payments	1,136	—
Depreciation on property, plant and equipment (Note 15)	8,843	5,855
Depreciation on investment properties (Note 16)	115	113
Amortization on intangible assets (Note 17)	125	135
Other taxes and licenses	4,857	4,928
Supplies and tools	3,117	3,192
Shared-services expenses	278	1,198
Laundry expenses	1,282	1,342
Temporary labour costs	605	689
Commission expenses	2,703	2,522
Insurance expenses	1,388	1,122
Provision for/(reversal of) impairment of trade receivables (Note 20)	56	(44)
Provision for obsolete inventory (Note 19)	88	29
Auditors' remuneration		
— Audit services	300	—
— Non-audit services	21	—
Listing expenses	1,524	2,517
Hotel management fees	248	—
Other miscellaneous expenses	5,864	5,582
	87,854	87,767
Representing:		
Cost of inventories sold	16,617	15,839
Food and beverage costs	6,337	6,367
Employee benefit expenses	24,962	24,083
Utilities, repairs and maintenance	7,000	6,887
Operating lease expense	—	5,411
Short-term lease expenses	388	—
Variable lease payments	1,136	—
Operating and other expenses	31,414	29,180
	87,854	87,767

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENT)

	2019 US\$'000	2018 US\$'000
Wages, salaries, bonuses and allowances	18,162	17,304
Pension cost — defined contribution scheme	143	121
Staff welfare and benefits	6,657	6,658
	24,962	24,083

(a) Five highest paid individuals

For the year ended December 31, 2019, the five individuals whose emoluments were the highest in the Group include 2 (2018: 1) directors, whose emoluments were reflected in Note 36(a). The emoluments paid to the remaining 3 (2018: 4) individuals are as follows:

	2019 US\$'000	2018 US\$'000
Salaries, wages and other allowances and benefits in kind	454	807
Discretionary bonus	49	65
Pension costs — defined contribution plans	10	11
	513	883

The emoluments of the remaining individuals fell within the following bands:

	No. of individuals	
	2019	2018
Emolument bands		
HK\$1,000,001–HK\$1,500,000 (equivalent to US\$128,205 to US\$192,308)	3	3
HK\$2,500,001–HK\$3,000,000 (equivalent to US\$320,513 to US\$384,615)	—	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 year ended December 31, 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

10 FINANCE COSTS, NET

Finance costs:

- Interest expense on lease liabilities
- Interest expense on borrowings

Finance income:

- Interest income from bank deposits
- Interest income from financial asset at fair value through other comprehensive income
- Interest income on loan to the intermediate holding company (Note)

Finance costs, net

Note:

For the year ended December 31, 2018, the Group had bank borrowings of US\$5,000,000 carrying an interest rate of 2.75% per annum. The proceeds from the bank borrowings were loaned to the intermediate holding company of the Company carrying the same interest rate per annum, and earned interest income accordingly.

2019 US\$'000	2018 US\$'000
(737)	—
—	(11)
(737)	(11)
417	—
10	—
—	11
427	11
(310)	—

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.

Current tax

United States corporate income tax

Deferred tax (Note 27)

Origination and reversal of temporary differences

2019 US\$'000	2018 US\$'000
576	563
(481)	87
95	650

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

11 INCOME TAX EXPENSE (Continued)

The Group's subsidiaries incorporated in the CNMI, Guam and Hawaii were subject to income tax rate of 21%. 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:

	2019 US\$'000	2018 US\$'000
Profit before income tax	10,270	12,419
Tax calculated at the applicable domestic tax rates	2,144	2,705
Tax effects of:		
Income not subject to tax	(69)	(25)
Expenses not deductible for tax purpose	888	1,009
Income tax credits arising from business gross receipt tax payments ("BGRT") (Note (a))	(2,563)	(2,684)
Income tax rebates (Note (b))	(92)	(383)
Recognition of previously unrecognized deferred income tax assets	(128)	—
Tax losses for which no deferred tax asset was recognized	—	28
Utilization of previously unrecognized tax losses	(85)	—
Income tax expense	95	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.

- (b) Income tax rebates

The CNMI legislation provides for income tax rebates with descending progressive percentages ranging from 90% to 50% on taxable income, after taking into accounts the utilization of tax credit mentioned in Note (a) above sourced in the CNMI.

- (c) Deemed capital contribution from Tan Holdings

During the year ended December 31, 2018, 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 year ended December 31, 2018, 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 statement of changes in equity.

After the Reorganization, the tax filing arrangement on a consolidated basis with Tan Holdings of the CNMI entities comprising the Group was terminated and the tax return of the CNMI and Guam entities comprising the Group filed tax returns on a consolidated basis with S.A.I. CNMI Tourism and S.A.I. Guam Tourism respectively.

The weighted average applicable domestic tax rate was 21% for the year ended December 31, 2019 (2018: 22%).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

12 DIVIDENDS

The board of directors has recommended the payment of a final dividend of US0.28 cent per share (equivalent to HK2.19 cents per share) (2018: Nil), amounting to an aggregate of approximately US\$1,010,000 for the year ended December 31, 2019. The proposed final dividend for the year is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

Dividends for the year ended December 31, 2018 of US\$7,600,000 represented dividends declared by an operating subsidiary to the then owner 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. The dividends 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 owners 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 effects of the issuance of shares in connection with the Reorganization completed on November 16, 2018 and the shares issued pursuant to the Capitalization Issue (as defined in Note 23) were deemed to have been in issue since January 1, 2018.

	2019	2018
Profit attributable to owners of the Company (US\$'000)	10,100	11,694
Weighted average number of ordinary share in issue (thousands)	326,712	270,000
Basic earnings per share (US cents)	3.1	4.3

(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, 2019 (2018: Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

14 SUBSIDIARIES

Particulars of the principal subsidiaries at December 31, 2019 were as follows:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid share capital	Ownership interest held by the Company	
				Direct	Indirect
S.A.I. CNMI Holdings Limited	BVI	Investment holding, BVI	US\$1	100%	—
S.A.I. Guam Holdings Limited	BVI	Investment holding, BVI	US\$1	100%	—
S.A.I. CNMI Tourism Inc.	CNMI	Investment holding, Saipan	US\$100	—	100%
S.A.I. Guam Tourism Inc.	Guam	Investment holding, Guam	US\$10,000	—	100%
Asia Pacific Hotels, Inc. (Note (i))	CNMI	Hotel operations, Saipan	US\$15,000,000	—	100%
CKR, LLC (Note (i), (ii))	CNMI	Dormant, Saipan	N/A	—	100%
Asia Pacific Hotels, Inc. (Guam) (Note (i))	Guam	Hotel operations, Guam	US\$9,500,000	—	100%
Gemkell Corporation (Note (i))	Guam	Retail of luxury travel accessories, Guam	US\$80,000	—	80%
Gemkell (Saipan) Corporation (Note (i))	CNMI	Retail of luxury travel accessories, Saipan	US\$100,000	—	80%
Taga Fashion Group, LLC (Note (i))	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Hawes Group, LLC (Note (i))	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Ellen Group, LLC (Note (i))	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Gemkell U.S.A. LLC (Note (i))	Hawaii	Retail of luxury travel accessories, Hawaii	US\$1,000,000	—	80%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

14 SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid share capital	Ownership interest held by the Company	
				Direct	Indirect
Century Tours, Inc. (Note (i))	CNMI	Provision of ground handling and concierge services and retail of consumer products, Saipan	US\$1,000,000	—	100%
Let's Go Tours Company (Note (i))	CNMI	Provision of excursion service, Saipan	US\$500,000	—	100%
Saipan Adventures, Inc. (Note (i))	CNMI	Provision of ground handling and concierge services, Saipan	US\$100,000	—	100%
J&K Marine Sports, Inc. (Note (i))	CNMI	Provision of excursion service, Saipan	US\$50,000	—	100%
Sea-Touch, LLC (Note (i), (ii))	CNMI	Provision of excursion service, Saipan	N/A	—	100%

Notes:

- (i) These companies are regarded as Operating Subsidiaries.
- (ii) CKR, LLC and Sea-Touch, LLC are limited liability companies which do not have the concept of shares or stock.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$'000	Renovation and leasehold improvements US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
As at January 1, 2018							
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets (Note) US\$'000	Buildings US\$'000	Renovation and leasehold improvements US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
As at January 1, 2019								
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 (as previously presented)	–	22,125	10,027	3,175	1,498	601	776	38,202
Change in accounting policy								
– Cost	19,230	–	–	–	–	–	–	19,230
Restated as at January 1, 2019								
Cost	19,230	48,593	25,622	9,323	8,455	971	776	112,970
Accumulated depreciation	–	(26,468)	(15,595)	(6,148)	(6,957)	(370)	–	(55,538)
Net book amount as restated	19,230	22,125	10,027	3,175	1,498	601	776	57,432
Year ended December 31, 2019								
Opening net book amount	19,230	22,125	10,027	3,175	1,498	601	776	57,432
Additions	717	–	649	1,079	435	52	95	3,027
Disposals	–	–	(120)	(10)	(1)	(7)	–	(138)
Transfer	–	–	83	462	209	–	(754)	–
Depreciation charges (Note 8)	(2,802)	(1,053)	(2,913)	(964)	(925)	(186)	–	(8,843)
Closing net book amount	17,145	21,072	7,726	3,742	1,216	460	117	51,478
As at December 31, 2019								
Cost	19,947	48,593	26,215	10,820	9,070	984	117	115,746
Accumulated depreciation	(2,802)	(27,521)	(18,489)	(7,078)	(7,854)	(524)	–	(64,268)
Net book amount	17,145	21,072	7,726	3,742	1,216	460	117	51,478

Depreciation has been charged to “Operating and other expenses” for the year ended December 31, 2019 (2018: same).

As at December 31, 2019, certain buildings of the Group of US\$19,857,000 (2018: US\$20,657,000) have been pledged as security for the banking facilities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (i) Amounts recognized in the consolidated statement of financial position

The following right-of-use assets are included in the line item of property, plant and equipment:

	As at December 31, 2019 US\$'000	As at January 1, 2019* US\$'000
Right-of-use assets		
Leasehold land**	12,860	13,501
Buildings	4,285	5,729
	17,145	19,230
Lease liabilities		
Current	2,481	2,331
Non-current	14,714	16,495
	17,195	18,826

* For adjustments recognized on adoption of HKFRS 16 on January 1, 2019, please refer to Note 2.2.

** The Group has land lease arrangement with the CNMI and Guam government.

- (ii) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2019 US\$'000
Depreciation charge of right-of-use assets	
Leasehold land	641
Buildings	2,161
	2,802
Interest expense (included in finance cost)	737
Expense relating to short-term leases (Note 8)	388
Expense relating to variable lease payments not included in lease liabilities (Note 8)	1,136
	2,261

The total cash outflow for leases in 2019 was US\$4,609,000.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: (Continued)

- (iii) The Group's leasing activities and how these are accounted for

The Group leases various land, retail stores, offices and warehouses. Rental contracts are typically made for periods of 2 to 60 years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

- (iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from hotels and retail stores. For individual stores, certain lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for hotels and retail stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all hotels and retail stores in the Group with such variable lease contracts would increase total lease payments by approximately US\$113,000.

- (v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

16 INVESTMENT PROPERTIES

	US\$'000
As January 1, 2018	
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
Year ended December 31, 2019	
Opening net book amount	2,622
Depreciation charge (Note 8)	(115)
Closing net book amount	2,507
As at December 31, 2019	
Cost	4,322
Accumulated depreciation	(1,815)
Net book amount	2,507

As at December 31, 2019, the fair values of the investment properties of the Group, as determined by the directors, were US\$7,068,000 (2018: US\$7,068,000).

As at December 31, 2019, certain investment properties of the Group of US\$2,431,000 (2018: US\$2,529,000), have been pledged as security for the banking facilities.

The investment properties are situated in Saipan and Guam.

Depreciation has been charged to "Operating and other expenses" for the year ended December 31, 2019 (2018: same).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

17 INTANGIBLE ASSETS

	Computer software US\$'000
As at January 1, 2018	
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
Year ended December 31, 2019	
Opening net book amount	422
Additions	60
Amortization charge (Note 8)	(125)
Closing net book amount	357
As at December 31, 2019	
Cost	817
Accumulated amortization	(460)
Net book amount	357

Amortization has been charged to "Operating and other expenses" for the year ended December 31, 2019 (2018: same).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

18 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt investments at fair value through other comprehensive income comprise the investments in listed bond:

	2019 US\$'000	2018 US\$'000
Debt securities listed in Hong Kong	507	—

On disposal of these debt investments, any related balance within the fair value through other comprehensive income reserve is reclassified to profit or loss.

The carrying amount of the financial asset at fair value through other comprehensive income is denominated in US\$.

19 INVENTORIES

	2019 US\$'000	2018 US\$'000
Merchandises	8,290	8,944

Inventories recognized as an expense for the year ended December 31, 2019 amounted to US\$16,617,000 (2018: US\$15,839,000) and included in "Cost of inventories sold" in the consolidated statement of comprehensive income.

Provision for obsolete inventory for the year ended December 31, 2019 amounted to US\$88,000 (2018: US\$29,000). These were in "Operating and other expenses" in the consolidated statement of comprehensive income.

20 TRADE RECEIVABLES

	2019 US\$'000	2018 US\$'000
Trade receivables from third parties (Note (a))	2,912	3,196
Less: provision for impairment (Note (a))	(216)	(186)
	2,696	3,010
Amounts due from related parties (Note (b))	855	1,128
Total trade receivables, net	3,551	4,138

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

20 TRADE RECEIVABLES (Continued)

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, 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	2019 US\$'000	2018 US\$'000
Within 30 days	2,108	2,471
31 to 60 days	419	451
61 to 90 days	33	90
Over 90 days	352	184
	2,912	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, 2019, provisions of US\$216,000 (2018: US\$186,000) were made against the gross amounts of trade receivables.

As at December 31, 2019, approximately 21% (2018: 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:

	2019 US\$'000	2018 US\$'000
At beginning of the year	186	266
Provision for/(reversal of) impairment, net (Note 8)	56	(44)
Trade receivables written off during the year as uncollectible	(26)	(36)
	216	186

- (b) Amounts due from related parties

As at December 31, 2019, 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:

	2019 US\$'000	2018 US\$'000
Within 30 days	782	97
31 to 60 days	6	991
61 to 90 days	18	21
Over 90 days	49	19
	855	1,128

The maximum exposure to credit risk as at December 31, 2019 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\$.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 US\$'000	2018 US\$'000
Deposits	681	650
Prepayment of listing expenses	—	9
Deferred listing expenses	—	219
Prepayments	2,643	3,076
Other receivables	25	12
	3,349	3,966
Less: non-current portion		
Rental and utility deposits	(681)	(638)
Prepaid rent	—	(296)
Prepayments for property, plant and equipment and intangible assets	—	(98)
	(681)	(1,032)
Current portion	2,668	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, prepayments and other receivables approximate their fair values and are denominated in the following currencies:

	2019 US\$'000	2018 US\$'000
US\$	3,285	3,966
HK\$	64	—
	3,349	3,966

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

22 CASH AND CASH EQUIVALENTS

	2019 US\$'000	2018 US\$'000
Cash at banks	56,234	4,553
Cash on hand	368	239
	56,602	4,792
Maximum exposure to credit risk	56,234	4,553

Cash and cash equivalents are denominated in in the following currencies:

	2019 US\$'000	2018 US\$'000
US\$	55,979	4,792
HK\$	623	—
	56,602	4,792

23 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares US\$'000	Share premium US\$'000
At October 18, 2018 (date of incorporation) and January 1, 2019 (Note(a))	1	—	—
Shares issued pursuant to the Capitalization Issue (Note (b))	269,999,999	346	(346)
Shares issued pursuant to the share offer in Listing (Note (c))	90,000,000	115	40,731
Listing expenses related to the issue of new shares (Note (d))	—	—	(2,263)
At December 31, 2019	360,000,000	461	38,122

Notes:

- On October 18, 2018 (date of incorporation), 1 share of HK\$0.01 was allotted and issued.
- Pursuant to a sole shareholder's resolution dated April 9 2019, the Company issued additional 269,999,999 shares (the "**Capitalization Issue**"), credited as fully paid, to THC Leisure, by way of capitalization of US\$346,000 charging to the Company's share premium account.
- On May 16, 2019, in connection with the Listing, the Company issued 90,000,000 shares at a price of HK\$3.54 per share for a total of HK\$318,600,000 (equivalent to approximately US\$40,846,000).
- The issuance costs in connection with the Listing amounted to US\$2,263,000 were charged to the Company's share premium account.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

24 CAPITAL RESERVE AND OTHER RESERVE

(a) 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.

(b) Other reserve

As disclosed in Note 11, other reserve mainly represents the deemed contribution from Tan Holdings before the Reorganization.

During the year ended December 31, 2019, the Group has entered into a sale and purchase agreement to acquire additional interests in two subsidiaries from non-controlling interests and recognized an increase in other reserve of US\$27,000 (see Note 25 for details).

25 NON-CONTROLLING INTERESTS

As at December 31, 2019, the Group's non-controlling interests ("NCI") amounting to approximately US\$1,357,000 (2018: US\$1,609,000), are arising from Gemkell Corporation and Gemkell (Saipan) Corporation, which are the Group's 80% (2018: 75%) owned subsidiaries.

Transaction with non-controlling interests

On September 3, 2019, the Group acquired additional 5% of each of the issued shares of Gemkell Corporation and Gemkell (Saipan) Corporation at considerations of approximately US\$298,000 and approximately US\$2,000, respectively.

Immediately prior to the purchase, the carrying amount of the existing 25% non-controlling interest in Gemkell Corporation and Gemkell (Saipan) Corporation were approximately US\$1,605,000 and US\$30,000 respectively. The Group recognized a decrease in non-controlling interests of US\$327,000 and an increase in equity attributable to owners of US\$27,000. The effect on the equity attributable to the owners of Gemkell Corporation and Gemkell (Saipan) Corporation during the year is summarized as follows:

	2019 US\$'000	2018 US\$'000
Carrying amount of non-controlling interests acquired	327	—
Consideration paid to non-controlling interests	(300)	—
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	27	—

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

25 NON-CONTROLLING INTERESTS (Continued)

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 statement of financial position of Gemkell Corporation:

	2019 US\$'000	2018 US\$'000
Current		
Assets	9,162	8,283
Liabilities	(5,720)	(4,202)
Net current assets	3,442	4,081
Non-current		
Assets	5,482	2,738
Liabilities	(2,014)	(460)
Net non-current assets	3,468	2,278
Net assets	6,910	6,359
Accumulated NCI	1,382	1,590

Summarized statement of comprehensive income of Gemkell Corporation:

	2019 US\$'000	2018 US\$'000
Revenue	23,061	21,235
Total comprehensive income for the year	535	275
Total comprehensive income for the year attributable to NCI	113	69

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

25 NON-CONTROLLING INTERESTS *(Continued)*

Summarized financial information of the subsidiaries with material non-controlling interest *(Continued)*

(a) **Gemkell Corporation** *(Continued)*

Summarized statement of cash flows of Gemkell Corporation:

	2019 US\$'000	2018 US\$'000
Net cash generated from operating activities	5,188	152
Net cash used in investing activities	(192)	(1,902)
Net cash used in financing activities	(1,925)	—
Net increase/(decrease) in cash and cash equivalents	3,071	(1,750)

(b) **Gemkell (Saipan) Corporation**

Summarized statement of financial position of Gemkell (Saipan) Corporation:

	2019 US\$'000	2018 US\$'000
Current		
Assets	4,784	4,360
Liabilities	(6,638)	(6,087)
Net current liabilities	(1,854)	(1,727)
Non-current		
Assets	2,305	1,805
Liabilities	(574)	—
	1,731	1,805
Net (liabilities)/assets	(123)	78
Accumulated NCI	(25)	19

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

25 NON-CONTROLLING INTERESTS (Continued)

Summarized financial information of the subsidiaries with material non-controlling interest (Continued)

(b) Gemkell (Saipan) Corporation (Continued)

Summarized statement of comprehensive income of Gemkell (Saipan) Corporation:

	2019 US\$'000	2018 US\$'000
Revenue	7,251	7,744
Total comprehensive (loss)/income for the year	(185)	25
Total comprehensive (loss)/income for the year attributable to NCI	(38)	6

Summarized statement of cash flows of Gemkell (Saipan) Corporation:

	2019 US\$'000	2018 US\$'000
Net cash generated from/(used in) operating activities	484	(436)
Net cash used in investing activities	(194)	(31)
Net cash used in financing activities	(309)	—
Net decrease in cash and cash equivalents	(19)	(467)

26 TRADE AND OTHER PAYABLES

	2019 US\$'000	2018 US\$'000
Trade payables		
— to third parties (Note (a))	3,162	2,930
— to related parties (Note (b))	79	88
Total trade payables	3,241	3,018
Accruals and other payables		
— Accrued staff salaries	716	582
— Other taxes payable	1,088	1,057
— Accruals for listing expenses	282	432
— Other accruals and payables	3,522	3,302
— Rental deposits received from customers	237	276
	5,845	5,649
	9,086	8,667

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

26 TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables to third parties

The ageing analysis of the trade payables to third parties based on invoice date were as follows:

	2019 US\$'000	2018 US\$'000
Within 30 days	2,564	2,410
31 to 60 days	502	394
61 to 90 days	76	56
Over 90 days	20	70
	3,162	2,930

(b) Amounts due to related parties

As at December 31, 2019, 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 are follows:

	2019 US\$'000	2018 US\$'000
Within 30 days	35	54
31 to 60 days	44	34
	79	88

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

	2019 US\$'000	2018 US\$'000
US\$	8,307	8,382
HK\$	779	285
	9,086	8,667

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

27 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2019 US\$'000	2018 US\$'000
Deferred income tax assets	2,035	1,748
Deferred income tax liabilities	(762)	(956)

The movements of deferred income tax assets are as follows:

	Deferred tax on the impairment loss of trade receivables US\$'000	Decelerated tax depreciation US\$'000	Total US\$'000
As at January 1, 2018	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
Credited to the consolidated statements of comprehensive income	3	284	287
As at December 31, 2019	22	2,013	2,035

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

27 DEFERRED INCOME TAX ASSETS/(LIABILITIES) (Continued)

The movements of deferred income tax liabilities are as follows:

	Accelerated tax depreciation US\$'000
As at January 1, 2018	(879)
Charged to the consolidated statement of comprehensive income	(77)
As at December 31, 2018	(956)
Credited to the consolidated statement of comprehensive income	194
As at December 31, 2019	(762)

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. As at December 31, 2019, the Group did not have unrecognized deferred income tax assets (2018: US\$88,000) in respect of losses (2018: US\$422,000) that can be carried forward against future taxable income.

Deferred income tax liabilities of US\$11,365,000 (2018: 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, 2019, respectively. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside the CNMI, Guam and Hawaii.

28 COMMITMENTS

(a) Operating lease commitments — the Group as lessee

From January 1, 2019, the Group has recognized right-of-use assets for its operating leases, except for short term and low-value leases, see Note 2.2 for further information. The Group's future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	2019 US\$'000	2018 US\$'000
No later than 1 year	—	2,811
Later than 1 year and no later than 5 years	—	7,239
Later than 5 years	—	19,491
	—	29,541

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

28 COMMITMENTS *(Continued)*

(a) Operating lease commitments — the Group as lessee *(Continued)*

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:

	2019 US\$'000	2018 US\$'000
Minimum lease payments	—	4,017
Contingent rentals	—	1,394
	—	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:

	2019 US\$'000	2018 US\$'000
No later than 1 year	632	515
Later than 1 year and no later than 5 years	1,001	471
	1,633	986

(c) Capital commitments

Significant capital expenditure contracted for at the end of each reporting period but not recognized as liabilities is as follows:

	2019 US\$'000	2018 US\$'000
Property, plant and equipment	1,244	308

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from operations

	2019 US\$'000	2018 US\$'000
Profit before income tax	10,270	12,419
Adjustments for:		
Depreciation of property, plant and equipment	8,843	5,855
Depreciation of investment properties	115	113
Amortization of intangible assets	125	135
Provision for/(reversal of) impairment of trade receivables	56	(44)
Provision for obsolete inventory	88	29
Losses/(gains) on disposal of property, plant and equipment	13	(10)
Interest income	(427)	(11)
Interest expense	737	11
Operating profit before changes in working capital	19,820	18,497
Changes in working capital:		
Decrease/(increase) in inventories	566	(1,614)
Decrease/(increase) in trade receivables	531	(116)
Decrease/(increase) in deposits, prepayments and other receivables	125	(1,007)
Increase in trade and other payables	449	685
(Decrease)/increase in contract liabilities	(40)	32
Decrease/(increase) in amount due from the intermediate holding company	453	(10,411)
Decrease/(increase) in amounts due from related parties	7,583	(4,145)
(Decrease)/increase in amounts due to related parties	(10,616)	2,418
Net cash generated from operations	18,871	4,339

(b) Proceeds from disposal of property, plant and equipment

	2019 US\$'000	2018 US\$'000
Net book amount (Note 15)	138	18
(Losses)/gains on disposal of property, plant and equipment	(13)	10
Proceeds from disposal of property, plant and equipment	125	28

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Significant non-cash transactions

For the year ended December 31, 2018, dividend of US\$7,600,000 were settled through current account with the intermediate holding company as disclosed in Note 12.

(d) Cash flow information — financing activities

The movements of liabilities from financing activities for the year ended December 31, 2019:

	Bank borrowings and interest payables US\$'000	Lease liabilities US\$'000	Total US\$'000
At January 1, 2018	5,000	—	5,000
Cash flow	(5,000)	—	(5,000)
At December 31, 2018	—	—	—
At December 31, 2018 as previously reported	—	—	—
Adjustment on adoption of HKFRS16	—	18,826	18,826
At January 1, 2019 as restated	—	18,826	18,826
Non cash — acquisition of leases	—	717	717
Cash flow	—	(2,348)	(2,348)
At December 31, 2019	—	17,195	17,195

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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 year ended December 31, 2019, 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

31 RELATED PARTY TRANSACTIONS (Continued)

- (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 year ended December 31, 2019:

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
Quanzhou Century Tour Investment Co., Ltd and its subsidiaries	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
CTSI Holdings Limited and its subsidiaries (collectively, the "CTSI" Group)	Controlled by the Controlling shareholder
— CTSI FSM	
— Consolidated Transportation Services, Inc. (Guam)	
— CTSI Logistics Ltd.	
— CTSI USA	
— CTSI Philippines	
— CTSI Saipan	
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 Leisure Company Limited	Controlled by the Controlling shareholder
Strategic Gaming Solutions, Inc.	Controlled by the Controlling shareholder
TakeCare Insurance Company Inc.	Controlled by the Controlling shareholder
BlueBay 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 Group Ltd.	Common directors

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

31 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties:

Save as disclosed elsewhere in this report, during the year ended December 31, 2019, the following significant transactions were carried out with related parties:

	2019 US\$'000	2018 US\$'000
Rental income and expenses recharged		
Strategic Gaming Solution, Inc.	250	285
Hotel service income		
Quanzhou Century Tour Investment Co., Ltd and its subsidiaries	10,994	11,467
Freight forwarding and logistics service		
The CTSI Group	686	714
Shared-services expenses		
L&T Group of Companies, Ltd.	236	616
The CTSI Group	42	132
Luen Thai Enterprises Limited	—	450
	278	1,198
Staff costs recharged		
L&T Group of Companies, Ltd.	113	494
Purchase of merchandises		
D&Q Co., Ltd.	517	542
Cosmos Distributing Co., Ltd.	282	304
	799	846
Insurance fee		
TakeCare Insurance Company, Inc.	1,638	1,912
L&T Group of Companies, Ltd.	—	288
	1,638	2,200
Lease payment/rental expenses		
Beach Road Tourism Development, Inc.	650	750
L&T Group of Companies, Ltd.	70	16
Luen Thai International Development Limited	44	—
	764	766

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

31 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties: (Continued)

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

(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:

	2019 US\$'000	2018 US\$'000
Wage, salaries, bonuses and other allowances and benefits in kind	931	534
Pension costs — defined contribution plan	6	5
	937	539

(d) Amounts due from/(to) the intermediate holding company and related parties

	2019 US\$'000	2018 US\$'000
Non-trade receivables from (Note (i), (ii))		
Intermediate holding company		
— Denominated in US\$	—	453
Related parties		
— Denominated in US\$	50	7,633
	50	8,086
Trade receivables from (Note (iii))		
Related parties		
— Denominated in US\$	855	1,128
Non-trade payables to (Note (iv))		
Related parties		
— Denominated in US\$	(70)	(8,524)
— Denominated in HK\$	—	(2,162)
	(70)	(10,686)
Trade payables to (Note (iii))		
Related parties		
— Denominated in US\$	(79)	(88)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

31 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Amounts due from/(to) the intermediate holding company and related parties *(Continued)*

- (i) As at December 31, 2018, non-trade receivables from the intermediate holding company and related parties were unsecured, interest-free and repayable on demand.
- (ii) As at December 31, 2019, the non-trade receivables balances from related parties represented prepaid expenses for services to be rendered by the related parties.
- (iii) As at December 31, 2019 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.
- (iv) As at December 31, 2019 and 2018, non-trade payables balances to the related parties were unsecured, interest-free and repayable on demand.

(e) Guarantee by related parties

Banking facilities available to the Group were guaranteed by Tan Holdings, the intermediate holding company and Dr. Tan Henry as at December 31, 2018 and such guarantees have been released during the year ended December, 2019.

32 FINANCIAL INSTRUMENTS BY CATEGORY

	2019 US\$'000	2018 US\$'000
Assets per consolidated statement of financial position:		
Financial assets carried at amortized cost		
— Trade receivables	3,551	4,138
— Deposits and other receivables	706	662
— Amount due from the intermediate holding company	—	453
— Amounts due from related parties	50	7,633
— Cash and cash equivalents	56,602	4,792
	60,909	17,678
Financial assets carried at fair value		
— Finance asset at fair value through other comprehensive income	507	—
	61,416	17,678
Liabilities per consolidated statement of financial position:		
Financial liabilities at amortized cost		
— Trade and other payables	7,282	7,028
— Amounts due to related parties	70	10,686
— Leases liabilities	17,195	—
	24,547	17,714

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

33 FINANCIAL GUARANTEE

As at December 31, 2018, the Group provided 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. The financial guarantee has been released during the year ended December 31, 2019.

34 EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of the Coronavirus Disease 2019 (“**COVID-19**”) in early 2020, a series of precautionary and control measures (including but not limited to travel bans) have been implemented by the government authorities around the world.

Since early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from the Group’s key tourist origin markets. Coupled with the dampened global travel sentiment, there has been a sharp decline in the number of tourists travelling to Saipan and Guam.

Towards the end of March 2020, the governments of the CNMI and Guam have both implemented various measures to curb the spread of the COVID-19, which have further material impact on the Group’s business operations.

The Group is experiencing significant decrease in (a) revenue derived from hotel room rentals and food and beverage in Saipan and Guam; (b) revenue derived from retail of luxury clothing and accessories in Saipan and Guam and (c) revenue derived from provision of destination service in Saipan. The Group is also experiencing longer inventories turnover time after the COVID-19 outbreak.

In late March 2020, the Group’s management has made several decisions in respect of its business operations in order to mitigate the negative financial and operational impacts of COVID-19, including but not limited to the temporary closure of some of its hotels and all of its luxury travel retail boutiques in order to reduce operational costs.

Up to the date of this annual report, the impacts of the COVID-19 outbreak on the Group’s realizability of inventories and the macro-economic conditions as a whole are still uncertain.

Given the dynamic nature of these circumstances, the related impact on the Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

The Group will closely monitor the development of the COVID-19 outbreak and the impact on the business, and will continue to assess its impact on the business operations and financial performance of the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2019 US\$'000	2018 US\$'000
ASSETS			
Non-current asset			
Property, plant and equipment		124	—
Investments in subsidiaries		54,225	54,225
Deposit		14	—
Financial asset at fair value through other comprehensive income		507	—
		54,870	54,225
Current assets			
Prepayments and other receivables		77	228
Amounts due from subsidiaries		9,338	150
Cash and cash equivalents		37,239	—
		46,654	378
Total assets		101,524	54,603
EQUITY			
Equity attributable to owners of the Company			
Share capital		461	—
Share premium	35(b)	38,122	—
Capital reserve	35(b)	54,225	54,225
Other reserve	35(b)	3	—
Retained earnings/(accumulated losses)	35(b)	4,111	(2,216)
Total equity		96,922	52,009

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	Note	2019 US\$'000	2018 US\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		71	—
Current liabilities			
Accruals		908	432
Lease liabilities		54	—
Amounts due to subsidiaries		3,567	—
Amount due to a related party		2	2,162
		4,531	2,594
Total liabilities		4,602	2,594
Total equity and liabilities		101,524	54,603

The statement of financial position of the Company was approved by the Board of Directors on March 26, 2020 and was signed on its behalf.

.....
Dr. Tan Siu Lin
 Director

.....
Dr. Tan Henry
 Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium US\$'000	Capital reserve (Note (i)) US\$'000	Other reserve US\$'000	(Accumulated losses)/ Retained earnings US\$'000	Total US\$'000
Balance at October 18, 2018 (date of incorporation)	—	—	—	—	—
Loss and total comprehensive loss for the period	—	—	—	(2,216)	(2,216)
Contribution from shareholders	—	54,225	—	—	54,225
Balance at December 31, 2018	—	54,225	—	(2,216)	52,009
Balance at January 1, 2019	—	54,225	—	(2,216)	52,009
Profit for the year	—	—	—	6,327	6,327
Other comprehensive income:					
Change in value of debt investments at fair value through other comprehensive income	—	—	3	—	3
Total comprehensive income	—	—	3	6,327	6,330
Transactions with owners in their capacity as owners:					
Issue of shares by Capitalization Issue (Note 23)	(346)	—	—	—	(346)
Issue of shares pursuant to public offering (Note 23)	40,731	—	—	—	40,731
Listing expenses related to the issue of new shares (Note 23)	(2,263)	—	—	—	(2,263)
	38,122	—	—	—	38,122
Balance at December 31, 2019	38,122	54,225	3	4,111	96,461

Note:

- (i) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended December 31, 2019

Executive directors

Director's fee US\$'000	Salary US\$'000	Discretionary bonuses US\$'000	Allowances and other benefits in kind US\$'000	Employer's contribution to a retirement benefit scheme US\$'000	Total US\$'000
Dr. Tan Henry (Note (i))	117	55	—	—	172
Mr. Chiu George	88	—	—	—	88
Mrs. Su Tan Jennifer Sze Tink	75	37	—	—	112
Mr. Schweizer Jeffrey William	150	25	17	5	197

Non-executive directors

Dr. Tan Siu Lin	14	—	—	—	14
Mr. Tan Willie	14	—	—	—	14

Independent Non-Executive Directors

Prof. CHAN Pak Woon David (Note (ii))	29	—	—	—	29
Mr. MA Andrew Chiu Cheung (Note (ii))	29	—	—	—	29
Mr. CHAN Leung Choi Albert (Note (ii))	29	—	—	—	29

115	430	117	17	5	684
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For the year ended December 31, 2018

Executive directors

Dr. Tan Henry (Note (i))	—	—	—	—	—
Mrs. Su Tan Jennifer Sze Tink	—	—	—	—	—
Mr. Chiu George	—	—	—	—	—
Mr. Schweizer Jeffrey William	—	150	—	10	165

Non-executive directors

Dr. Tan Siu Lin	—	—	—	—	—
Mr. Tan Willie	—	—	—	—	—

—	150	—	10	5	165
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Notes:

- (i) Dr. Tan Henry is the Group's chief executive officer.
- (ii) 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

36 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

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 the year ended December 31, 2018.

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 the year ended December 31, 2019 (2018: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended December 31, 2019 (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2019, no consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

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, 2019 (2018: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 31(b), there were 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 year or at any time during the year ended December 31, 2019 (2018: Nil).

Five Year Financial Summary

	2015	2016	2017	2018	2019
Financial highlights (US\$'000)					
Total assets	62,344	66,301	73,782	75,887	131,187
Total liabilities	14,026	11,386	23,167	20,762	27,601
Bank borrowings	2,500	—	5,000	—	—
Equity attributable to the owners of the Company	47,023	53,531	49,081	53,516	102,229
Working Capital	2,491	9,557	5,037	12,055	61,497
Revenue	75,255	81,238	89,430	100,178	98,699
Profit attributable to the owners of the Company	10,641	12,405	12,982	11,694	10,100
Key Ratios					
Current ratio (times)	1.2	1.9	1.2	1.6	6.1
Profit margin attributable to the owners of the Company	14.1%	15.3%	14.5%	11.6%	10.2%

Note: The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.