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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)

## RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus with respect to the QZ Framework Agreement, the TakeCare Framework Agreement, the Consumer Goods Framework Agreements and the CTSI Framework Agreement.

As disclosed in the Prospectus, (1) the Holiday Package Transactions under the QZ Framework Agreement, (2) the Medical Insurance Transactions under the TakeCare Framework Agreement, (3) the Consumer Goods Transactions under the Consumer Goods Framework Agreements, and (4) the Freight and Logistics Transactions under the CTSI Framework Agreement all constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The initial term of each Framework Agreement will expire on December 31, 2021. Pursuant to the provisions of the Framework Agreements, each Framework Agreement shall thereafter be automatically renewed for subsequent periods of three years on the same terms and conditions, save that the parties thereto shall, upon renewal, determine and set out new annual caps to apply for the subsequent three-year period.

The Company intends to continue to enter into the transactions respectively contemplated under the Framework Agreements after December 31, 2021. The parties to each Framework Agreement have agreed that the term of each Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Independent Shareholders as necessary). There has been no change in the terms of the Framework Agreements since they were entered into on April 9, 2019.

This announcement is to provide information on the proposed new annual caps for the transactions under the Framework Agreements for each of the three years ending December 31, 2024.

As the highest applicable ratios of the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable ratios of the Proposed Consumer Goods Annual Caps and the Proposed CTSI Annual Caps are more than 0.1% but less than 5%, the same are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps. Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) information on the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder, the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before December 1, 2021.

## **BACKGROUND**

Reference is made to the Prospectus with respect to the QZ Framework Agreement, the TakeCare Framework Agreement, the Consumer Goods Framework Agreements and the CTSI Framework Agreement.

As disclosed in the Prospectus, (1) the Holiday Package Transactions under the QZ Framework Agreement, (2) the Medical Insurance Transactions under the TakeCare Framework Agreement, (3) the Consumer Goods Transactions under the Consumer Goods Framework Agreements, and (4) the Freight and Logistics Transactions under the CTSI Framework Agreement all constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The initial term of each Framework Agreement will expire on December 31, 2021. Pursuant to the provisions of the Framework Agreements, each Framework Agreement shall thereafter be automatically renewed for subsequent periods of three years on the same terms and conditions, save that the parties thereto shall, upon renewal, determine and set out new annual caps to apply for the subsequent three-year period.

The Company intends to continue to enter into the transactions respectively contemplated under the Framework Agreements after December 31, 2021. The parties to each Framework Agreement have agreed that the term of each Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Independent Shareholders as necessary). There has been no change in the terms of the Framework Agreements since they were entered into on April 9, 2019.

This announcement is to provide information on the proposed new annual caps for the transactions under the Framework Agreements for each of the three years ending December 31, 2024.

## **(1) QZ FRAMEWORK AGREEMENT**

### **A. Principal Terms of the QZ Framework Agreement**

As disclosed in the Prospectus, the Group enter into Holiday Package Transactions relating to the Group's business operations in Saipan with the QZ Tours Group in its ordinary and usual course of business. The Company entered into the QZ Framework Agreement with QZ Tours on April 9, 2019. Principal terms of the QZ Framework Agreement are as follows:

<b>Term:</b>	Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.
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**Holiday Package Transactions:**

At any time during the term, the Group may from time to time enter into annual sales agreements and/or individual purchase orders with the QZ Tours Group for so long as they comply with the provisions of the QZ Framework Agreement and the Listing Rules.

Any Group Company may enter into individual agreements in respect of Holiday Package Transactions with QZ Tours on terms to be agreed, provided always that such individual agreements are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent tour operators of comparable purchase value.

**Termination:**

The QZ Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if QZ Tours ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

**Pricing Policy:**

When making a decision on the terms and conditions of the Holiday Package Transactions (including pricing, credit, payment and cancellation terms), the Group would take into account, based on arm's length commercial negotiations with QZ Tours, (i) the purchase volume of QZ Tours, (ii) the Group's projected occupancy and other operating conditions, (iii) the rates, terms and conditions offered by the Group's competitors to QZ Tours and other tour operators, (iv) the rates the Group offers through various booking channels and the Group's intended level of profits, and (v) the general market conditions, trends, seasonality, pricing and marketing landscape in the leisure tourism market in Saipan.

Further, any commercial terms that are different to those the Group offers to other independent tour operators must be offered to QZ Tours based on arm's length commercial negotiations principally with reference to its bulk purchase volume and the Group's operating conditions. In doing so, the Directors must specifically disregard the connected person relationship between the Group and QZ Tours.

<b>Special conditions:</b>	All annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis must receive, and shall be conditional upon, specific and express approval from the Audit Committee, comprising only of the Company's independent non-executive Directors.
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## B. Proposed QZ Annual Caps

In view of the upcoming renewal of the QZ Framework Agreement, the Company and QZ Tours have agreed on the Proposed QZ Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts received by the Group from the QZ Tours Group and the Proposed QZ Annual Caps as agreed between the Company and QZ Tours are set out below:

	<b>For financial years ended/ending December 31,</b>		
	<b>2019</b> <i>(US\$'000)</i>	<b>2020</b> <i>(US\$'000)</i>	<b>2021</b> <i>(US\$'000)</i>
Original annual caps	12,211	11,793	12,498
Actual aggregate amounts received from the QZ Tours Group	10,994	624 <i>Note</i>	— <i>Note</i>  (for the nine months ended September 30, 2021)
	<b>2022</b> <i>(US\$'000)</i>	<b>2023</b> <i>(US\$'000)</i>	<b>2024</b> <i>(US\$'000)</i>
Proposed QZ Annual Caps	5,079	16,311	17,465

*Note:* In view of the global outbreak of the COVID-19 pandemic, the governments of the PRC and the CNMI implemented various precautionary measures such as travel bans and mandatory quarantine requirements since early 2020. Hence, there was a sharp decline in the number of tourists travelling from Mainland China to Saipan. As disclosed in the 2020 Annual Report and the 2021 Interim Report, in order to mitigate the financial impact of the pandemic, the Group temporarily suspended some of its business operations (including but not limited to the temporary closure of some of its hotels and resorts as well as destination services in Saipan) from March 2020. As such, there was low utilization of the original annual caps under the QZ Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

## C. Basis of the Proposed QZ Annual Caps

In view of the continuously increasing COVID-19 vaccination rates around the world, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. The Directors currently expect that flights to Saipan from Beijing and Hong Kong will gradually resume in year 2022 and flights from other cities in Mainland China will fully resume in year 2023 and year 2024. With flights resumed, more tourists from Mainland China are expected to travel to Saipan.

Further, it is expected that the Group's two main hotels in Saipan, Fiesta Resort Saipan and Kanoa Resort will be respectively rebranded as Crowne Plaza Resort Saipan and voco Resort Saipan. According to the 2021 Interim Report, the Directors expected that Fiesta Resort Saipan will be reopened in the fourth quarter of 2021. However, there have been delays in the works due to COVID-related factory shutdowns in a country from which furniture and materials are sourced. The Directors currently expect that Fiesta Resort Saipan will instead be reopened in around March 2022, subject to final confirmation by the Hotel Manager. As for Kanoa Resort, it will be reopened as soon as practicable soon after completion of the renovation and rebranding works under the Asset Rejuvenation Plan, which will be carried out at the end of the Group's emergency contract with the local government.

In determining the Proposed QZ Annual Caps, the Directors have considered factors including (i) historical amounts under Holiday Package Transactions in the published information of the Group, (ii) estimated level of demand for the Group's tourism products and services in the future, taking into account the expected gradual recovery of the leisure tourism market in Saipan, (iii) projected increase in room rates, and (iv) projected inflation.

As such, the Proposed QZ Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan will be reopened in March 2022, (ii) the number of Mainland Chinese tourists arriving in Saipan will gradually increase in year 2022, (iii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in year 2023 and year 2024, (iv) demand for leisure travel to Saipan from Mainland China will have fully recovered in year 2023 and year 2024, and (v) the amount for the Holiday Package Transactions will increase moderately due to the higher room rates to be charged by the Hotel Manager for Fiesta Resort Saipan (to be known as Crowne Plaza Resort Saipan) and Kanoa Resort (to be known as voco Resort Saipan) in view of the rebranding and the newly renovated rooms.

In view of the above, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the Proposed QZ Annual Caps are fairly and reasonably determined. As mentioned above, to further safeguard the reasonableness and fairness of the Holiday Package Transactions, the QZ Framework Agreement provides that all annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis must receive specific and express approval from the Audit Committee.

If the actual amount receivable by the Group under the Holiday Package Transactions shall exceed the Proposed QZ Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

#### **D. Information of QZ Tours and QZ Tours Group**

QZ Tours is a tour operator based in Beijing. As part of its product offering, the QZ Tours Group charters flights from Mainland China to Saipan, procures local travel products and services from the Group and other independent suppliers, and sells them on to end-travelers through its extensive sales network and to other online travel agents and traditional travel agents. Aside from its business relationship with the Group, the QZ Tours Group has a diverse and sizeable base of accommodation and other travel service suppliers, including other hotels and resorts in Guam and Saipan.

The principal business activities of the QZ Tours Group include the operation of domestic, inbound and outbound leisure travel tours and arranging holidays for tourists from Mainland China.

QZ Tours is owned as to 99% by Mr. Zhou Xindong, who is a son-in-law of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and a brother-in-law of Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company), and as to 1% by Ms. Zheng Zhifang (an independent third party).

#### **E. Reasons and benefits of the automatic renewal**

The Group has developed a close and long-term collaboration with QZ Tours since 2012. Before the COVID-19 pandemic, QZ Tours has been providing the Group with a stable volume for its hotels and resorts. In the year ended December 31, 2019, QZ Tours was the Group's largest customer, accounting for approximately 11.1% of the total sales of the Group.

As disclosed in the Prospectus, the QZ Framework Agreement provides the flexibility for the Group to, subject to approval from the Audit Committee, enter into the Holiday Package Transactions in the form of annual sales agreements or individual purchase orders based on the Group's operating conditions, and regulates the Holiday Package Transactions within the boundary of the Listing Rules. In addition, the QZ Framework Agreement does not restrict each of the parties from transacting with other China-based tour operators, giving the Group flexibility to select tour operators based on its operating needs and financial conditions. With QZ Tours' bulk purchase volume, the Directors believe that the Group could optimize its revenue and yield and hedge its risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

Based on the above, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that (i) the terms and conditions of the QZ Framework Agreements and the Proposed QZ Annual Caps and (ii) the Holiday Package Transactions contemplated under the QZ Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the QZ Framework Agreement so that the Group may continue to regulate current and future Holiday Package Transactions under a clear framework agreement.

## **F. Implications of the Listing Rules**

As mentioned above, QZ Tours is owned as to 99% by Mr. Zhou Xindong, who is a son-in-law of Dr. Tan Siu Lin and a brother-in-law of Dr. Tan Henry. QZ Tours is thus a majority-controlled corporation of a deemed connected person of the Company under Rule 14A.21(1)(a) of the Listing Rules, and thus a deemed connected person of the Company under Rule 14A.21(1)(b) of the Listing Rules. As such, the transactions contemplated under the QZ Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of Proposed QZ Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **G. Directors' Interests**

None of the Directors have a material interest in the QZ Framework Agreement and the Proposed QZ Annual Caps, but each of Dr. Tan Siu Lin, Dr. Tan Henry, Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie have voluntarily abstained from voting on the board resolutions of the Company approving the automatic renewal of the QZ Framework Agreement and the Proposed QZ Annual Caps.

Subject to approval of the Independent Shareholders at the EGM and compliance with all applicable provisions of the Listing Rules, all other Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) have reviewed and approved the automatic renewal of the QZ Framework Agreement and the Proposed QZ Annual Caps.

## **(2) TAKECARE FRAMEWORK AGREEMENT**

### **A. Principal Terms of the TakeCare Framework Agreement**

As disclosed in the Prospectus, the Group purchase Medical Insurance for its employees from TakeCare in its ordinary and usual course of business. The Company entered into the TakeCare Framework Agreement with TakeCare on April 9, 2019. Principal terms of the TakeCare Framework Agreement are as follows:

<b>Term:</b>	Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.
<b>Medical Insurance Transactions:</b>	At any time during the term, the Group may from time to time enter into individual medical insurance policies with TakeCare for so long as they comply with the provisions of the TakeCare Framework Agreement and the Listing Rules.
	Any Group Company may enter into Medical Insurance Transactions with TakeCare on terms to be agreed provided that the individual policies are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent insurers.

**Termination:** The TakeCare Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if TakeCare ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

**Pricing Policy:** When making a decision to enter into a Medical Insurance Transaction with TakeCare, the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with TakeCare (i) the insurance premium and extent of coverage offered by TakeCare as well as other independent insurers, (ii) the Group's number of employees and policies on staff benefits, and (iii) the Group's own budget and financial position.

## B. Proposed TakeCare Annual Caps

In view of the upcoming renewal of the TakeCare Framework Agreement, the Company and TakeCare have agreed on the Proposed TakeCare Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts paid by the Group to TakeCare and the Proposed TakeCare Annual Caps as agreed between the Company and TakeCare are set out below:-

	For financial years ended/ending December 31,		
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)
Original annual caps	1,957	2,196	2,444
Actual aggregate amounts paid to TakeCare	1,638	1,282 <i>Note</i>	418 <i>Note</i>  (for the nine months ended September 30, 2021)

	<b>2022</b> <i>(US\$'000)</i>	<b>2023</b> <i>(US\$'000)</i>	<b>2024</b> <i>(US\$'000)</i>
Proposed TakeCare Annual Caps	1,834	2,933	3,080

*Note:* As disclosed in the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report, the Group had a total of 746, 206 and 190 full-time employees as at December 31, 2019, December 31, 2020 and June 30, 2021 respectively. The substantial decrease in headcount was mainly due to the mass layoff of staff as part of the Group's cost-saving measures during the temporary closure of some of the Group's hotels and resorts from March 2020. With fewer employees, fewer Medical Insurance policies were taken out by the Group. As such, there was low utilization of the original annual caps under the TakeCare Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

### C. Basis of the Proposed TakeCare Annual Caps

As disclosed in the 2021 Interim Report, Fiesta Resort Saipan and Fiesta Resort Guam are currently closed for the implementation of the renovation and upgrade works under the Asset Rejuvenation Plan and the Directors expected that the two hotels will be reopened in the fourth quarter of 2021. However, there have been delays in the works due to COVID-related factory shutdowns in a country from which furniture and materials are sourced. Currently, the Directors expect that the two hotels will be reopened as Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam in around March 2022 and April 2022 respectively, subject to final confirmation by the Hotel Manager.

As at October 31, 2021, the Group has 198 full-time employees. As mentioned above, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. With the expected reopening of the Group's two major hotels, the Directors estimate that there will be a substantial increase in the number of employees of the Group to approximately 600 for the year ending December 31, 2022. As for the two years ending December 31, 2024, the Directors currently expect that all of the Group's hotels and resorts will resume full operations (at their expanded capacities after implementation of the Asset Rejuvenation Plan). It is currently expected that the number of employees of the Group will reach 800 for each of the two years ending December 31, 2024.

In determining the Proposed TakeCare Annual Caps, the Directors have made reference to (i) historical amounts under Medical Insurance Transactions in the published information of the Group, (ii) the terms of the underlying Medical Insurance policies, (iii) the prevailing insurance premium offered by TakeCare, (iv) the current number of employees of the Group enrolled in Medical Insurance with TakeCare, and (v) the estimated number of employees of the Group in the future based on estimated operational needs as aforesaid.

The Proposed TakeCare Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan and Fiesta Resort Guam will be reopened in March 2022 and April 2022 respectively, (ii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in year 2023 and year 2024, (iii) the Group will have approximately 600 employees for the year ending December 31, 2022, and (iv) the Group will have approximately 800 employees for each of the two years ending December 31, 2024.

In view of the above, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that the Proposed TakeCare Annual Caps are fairly and reasonably determined.

If the actual amount payable by the Group under Medical Insurance Transactions shall exceed the Proposed TakeCare Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

#### **D. Information of TakeCare**

TakeCare is one of the leading medical and dental insurers in the CNMI and Guam with a sizable network of clinics. TakeCare has over 45 years of experience and provides integrated health plan administration, insurance coverage and clinical services to sizeable private sector employers and complex public agencies such as the Government of Guam, the Judiciary of Guam, Guam National Guard and the American Samoa Power Authority.

The principal business activities of TakeCare is the provision of medical and dental insurance coverage, integrated health plan administration and clinical services in the CNMI, Guam, Palau and American Samoa.

TakeCare is owned as to 93% indirectly by Tan Holdings (a controlling shareholder of the Company), 3.5% directly and 3.5% indirectly by Mr. Chiu George (an executive Director). Tan Holdings is a 30%-controlled company of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). As such, TakeCare is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry.

#### **E. Reasons and benefits of the automatic renewal**

As disclosed in the Prospectus, the Group purchase Medical Insurance for its employees from TakeCare in its ordinary and usual course of business. The TakeCare Framework Agreement provides flexibility for the Group to enter into Medical Insurance Transactions in the form of individual policies based on the Group's prevailing operating conditions and regulates the Medical Insurance Transactions within the boundary of the Listing Rules.

Taking into account the scale and quality of TakeCare's operations in Guam and Saipan as well as the insurance premium and extent of coverage it offers, the Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) consider that (i) the terms and conditions of the TakeCare Framework Agreements and the Proposed TakeCare Annual Caps and (ii) the Medical Insurance Transactions contemplated under the TakeCare Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the TakeCare Framework Agreement so that the Group may continue to regulate current and future Medical Insurance Transactions under a clear framework agreement.

#### **F. Implications of the Listing Rules**

As mentioned above, TakeCare is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry. Hence, TakeCare is an associate of a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules, and the transactions contemplated under the TakeCare Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of Proposed TakeCare Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **G. Directors' Interests**

Each of Dr. Tan Siu Lin and Dr. Tan Henry have a material interest in the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps by reason of their indirect controlling interest in TakeCare. Mr. Chiu George is also considered to be materially interested by reason of his shareholding in TakeCare. Accordingly, each of Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Chiu George have abstained from voting on the board resolutions of the Company approving the automatic renewal of the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps. Further, Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie have also voluntarily abstained from voting on the relevant board resolutions.

Subject to approval of the Independent Shareholders at the EGM and compliance with all applicable provisions of the Listing Rules, all other Directors (excluding the independent non-executive Directors, who will give their opinion after considering the advice from the Independent Financial Adviser) have reviewed and approved the automatic renewal of the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps.

### **(3) CONSUMER GOODS FRAMEWORK AGREEMENTS**

#### **A. Principal Terms of the Consumer Goods Framework Agreements**

As disclosed in the Prospectus, the Group enter into the Consumer Goods Transactions with Cosmos and D&Q in its ordinary and usual course of business. The Company entered into the Cosmos Framework Agreement and the D&Q Framework Agreement (on identical terms) with Cosmos and D&Q respectively on April 9, 2019. Principal terms of the Consumer Goods Framework Agreements are as follows:

<b>Term:</b>	Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.
<b>Consumer Goods Transactions:</b>	At any time during the term, the Group may from time to time enter into individual purchase orders with Cosmos/D&Q for so long as they comply with the provisions of the relevant Consumer Goods Framework Agreement and the Listing Rules.
	The Group may enter into individual agreements with Cosmos/D&Q on terms to be agreed, provided always that such individual purchase orders are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) together with all other Consumer Goods Transactions, within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent consumer goods wholesalers.
<b>Termination:</b>	Each of the Consumer Goods Framework Agreements (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if Cosmos/D&Q ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

**Pricing Policy:**

When making a decision on the terms and conditions of the Consumer Goods Transactions (including pricing, credit, payment and cancellation terms), the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with Cosmos/D&Q, (i) volume of procurement, (ii) nature and requirements of supplies, (iii) prices otherwise offered by other independent consumer goods wholesalers, (iv) prevailing rates offered by Cosmos/D&Q for supplies to the Group, and (v) the Group's budget and financial conditions.

**B. Proposed Consumer Goods Annual Caps**

In view of the upcoming renewal of the Consumer Goods Framework Agreements, the Company has agreed on the Proposed Consumer Goods Annual Caps with each of Cosmos and D&Q, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts paid by the Group to Cosmos and D&Q (on an aggregated basis) and the Proposed Consumer Goods Annual Caps as agreed between the Company, Cosmos and D&Q are set out below:-

	For financial years ended/ending December 31,		
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)
Original annual caps	989	1,038	1,090
Actual aggregate amounts paid to Cosmos and D&Q	799	214 <i>Note</i>	30 <i>Note</i>  (for the nine months ended September 30, 2021)
	2022 (US\$'000)	2023 (US\$'000)	2024 (US\$'000)
Proposed Consumer Goods Annual Caps	1,046	1,098	1,153

*Note:* As disclosed in the 2020 Annual Report and the 2021 Interim Report, in order to mitigate the financial impact of the pandemic and to carry out renovation and upgrade works, the Group temporarily closed some of its hotels and resorts from March 2020. With the reduced demand for consumer goods, there was low utilization of the original annual caps under the Consumer Goods Framework Agreements for the year ended December 31, 2020 and the nine months ended September 30, 2021.

## **C. Basis of the Proposed Consumer Goods Annual Caps**

As mentioned above, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. Further, it is expected that the Group's three main hotels, Fiesta Resort Saipan, Fiesta Resort Guam and Kanoa Resort will be respectively rebranded as Crowne Plaza Resort Saipan, Crowne Plaza Resort Guam and voco Resort Saipan. The Directors currently expect that Fiesta Resort Saipan and Fiesta Resort Guam will be reopened in March 2022 and April 2022 respectively, subject to final confirmation by the Hotel Manager. As for Kanoa Resort, it will be reopened as soon as practicable soon after completion of the renovation and rebranding works, which will be carried out at the end of the Group's emergency contract with the local government.

In determining the Proposed Consumer Goods Annual Caps, the Directors have considered factors including (i) historical amounts under Consumer Goods Transactions in the published information of the Group, (ii) estimated operational needs of the Group in the future, taking into account the expected gradual recovery of the leisure tourism market in Guam and Saipan and the reopening of the Group's hotels and resorts, (iii) prevailing rates offered by Cosmos and D&Q, and (iv) projected inflation.

As such, the Proposed Consumer Goods Annual Caps have been arrived at on the assumptions that (i) all of the Group's hotels and resorts (with the exception of Kanoa Resort) will be in operation in year 2022, (ii) occupancy rate of the Group's hotels and resorts will gradually resume in year 2022, (iii) all of the Group's hotels and resorts will resume full operations at their expanded capacities in year 2023 and year 2024, and (iv) the amount for the Consumer Goods Transactions will increase moderately due to the necessary operational upgrades in the Group's hotels and resorts in view of the rebranding.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Proposed Consumer Goods Annual Caps are fairly and reasonably determined.

In the event that the aggregate amounts under the Consumer Goods Transactions with Cosmos and D&Q in any particular year exceed the Proposed Consumer Goods Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

## **D. Information of Cosmos and D&Q**

Cosmos and D&Q are wholesale distribution companies based in Guam with operations in Guam and Saipan of significant scale. Cosmos supply a wide range of products to leading hotels and restaurants, supermarkets and other retail establishments in Guam and Saipan, and is the exclusive distributor of various branded products. D&Q operates from Guam, Saipan and the Philippines and supplies branded consumer goods and food products to retail, military and institutional customers throughout the Micronesia region.

The principal business activities of each of Cosmos and D&Q is the wholesale distribution of consumer goods in Guam and Saipan.

Cosmos is owned as to 82.9% indirectly by Tan Holdings (a controlling shareholder of the Company) and 17.1% by Mr. Chiu George (an executive Director). D&Q is owned as to 85% indirectly by Tan Holdings (a controlling shareholder of the Company), 10% by Mr. Chiu George (an executive Director) and 5% by an independent third party. As mentioned above, Tan Holdings is a 30%-controlled company of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). As such, each of Cosmos and D&Q is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry.

## **E. Reasons and benefits of the automatic renewal**

As disclosed in the Prospectus, the Consumer Goods Framework Agreements provides the flexibility for the Group to enter into the Consumer Goods Transactions in the form of individual purchase orders based on the Group's prevailing operating conditions, and regulates the Consumer Goods Transactions within the boundary of the Listing Rules.

The Directors consider that the Consumer Goods Transactions made pursuant to the Consumer Goods Framework Agreements are in the interests of the Group and Shareholders as a whole taking into account the scale of the operations and quality of supplies of Cosmos and D&Q in Guam and Saipan, as well as the favorable rates and terms offered to the Group. In addition, Cosmos and D&Q do not impose a minimum purchase amount and offer favorable credit and payment terms to the Group compared to other independent suppliers.

Based on the above, the Directors (including the independent non-executive Directors) consider that (i) the terms and conditions of the Consumer Goods Framework Agreements and the Proposed Consumer Goods Annual Caps, and (ii) the Consumer Goods Transactions contemplated under the Consumer Goods Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the Consumer Goods Framework Agreement so that the Group may continue to regulate current and future Consumer Goods Transactions under a clear framework agreement.

#### **F. Implications of the Listing Rules**

As mentioned above, each of Cosmos and D&Q is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry. Hence, each of Cosmos and D&Q is an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules. As such, the transactions contemplated under the Consumer Goods Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of the Proposed Consumer Goods Annual Caps are more than 0.1% but less than 5%, the same are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **G. Directors' Interests**

Each of Dr. Tan Siu Lin and Dr. Tan Henry have a material interest in the Consumer Goods Framework Agreements and the Proposed Consumer Goods Annual Caps by reason of their indirect controlling interest in Cosmos and D&Q. Mr. Chiu George is also considered to be materially interested by reason of his shareholding in each of Cosmos and D&Q. Accordingly, each of Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Chiu George have abstained from voting on the board resolutions of the Company approving the automatic renewal of the Consumer Goods Framework Agreements and the Proposed Consumer Goods Annual Caps. Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie have also voluntarily abstained from voting on the relevant board resolutions.

All other Directors (including the independent non-executive Directors) have reviewed and approved the automatic renewal of the Consumer Goods Framework Agreements and the Proposed Consumer Goods Annual Caps.

## (4) CTSI FRAMEWORK AGREEMENT

### A. Principal Terms of the CTSI Framework Agreement

As disclosed in the Prospectus, the Group enter into Freight and Logistics Transactions with the CTSI Group in its ordinary and usual course of business. The Company entered into the CTSI Framework Agreement with CTSI on April 9, 2019. Principal terms of the CTSI Framework Agreement are as follows:

<b>Term:</b>	Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.
<b>Freight and Logistics Transactions:</b>	At any time during the term, the Group may from time to time enter into individual purchase orders with the CTSI Group for so long as they comply with the provisions of the CTSI Framework Agreement and the Listing Rules.
	The Group may enter into individual purchase orders in respect of Freight and Logistics Transactions with the CTSI Group on terms to be agreed, provided always that such individual purchase orders are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent freight and logistics services providers.
<b>Termination:</b>	The CTSI Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if CTSI ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

**Pricing Policy:**

When making a decision on the terms and conditions of the Freight and Logistics Transactions with the CTSI Group (including pricing, credit, payment and cancellation terms), the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with the CTSI Group, (i) freight volume and size, (ii) nature and requirements of items on freight, (iii) freight charges otherwise offered by other independent freight and logistics service providers, (iv) prevailing rates offered by the CTSI Group for items of comparable nature, and (v) the Group's budget and financial position.

**B. Proposed CTSI Annual Caps**

In view of the upcoming renewal of the CTSI Framework Agreement, the Company and CTSI have agreed on the Proposed CTSI Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts paid by the Group to the CTSI Group and the Proposed CTSI Annual Caps as agreed between the Company and CTSI are set out below:

	For financial years ended/ending December 31,		
	2019 (US\$'000)	2020 (US\$'000)	2021 (US\$'000)
Original annual caps	1,041	1,166	1,219
Actual aggregate amounts paid to the CTSI Group	686 <sup>Note</sup>	404 <sup>Note</sup>	1,074  (for the nine months ended September 30, 2021)
	2022 (US\$'000)	2023 (US\$'000)	2024 (US\$'000)
Proposed CTSI Annual Caps	1,255	970	1,024

*Note:* As disclosed in the Prospectus, the original annual caps under the CTSI Framework Agreement took into account the Asset Rejuvenation Plan of Fiesta Resort Guam, Fiesta Resort Saipan and Kanoa Resort, which were eventually delayed for reasons disclosed in the 2019 Annual Report and 2020 Annual Report. As such, there was low utilization of the original annual cap under the CTSI Framework Agreement for the years ended December 31, 2019 and December 31, 2020 as a substantial portion of the renovation and upgrade works for Fiesta Resort Guam and Fiesta Resort Saipan were carried out in the year ending December 31, 2021 instead.

## **C. Basis of the Proposed CTSI Annual Caps**

As mentioned above, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. Based on the current expected timeline, the Group's two main hotels, Fiesta Resort Saipan and Fiesta Resort Guam will be rebranded as Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam and reopened in March 2022 and April 2022 respectively. Renovation and rebranding works for Kanoa Resort under the Group's Asset Rejuvenation Plan will be carried out at the end of the Group's emergency contract with the local government in order to prepare for the same to be reopened as voco Resort Saipan soon thereafter.

In determining the Proposed CTSI Annual Caps, the Directors have considered factors including (i) historical amounts under the Freight and Logistics Transactions in the published information of the Group, (ii) estimated operational needs of the Group in the future taking into account the gradual recovery of the leisure tourism market in Guam and Saipan and the reopening of the Group's hotels and resorts, (iii) implementation of the Asset Rejuvenation Plan for Kanoa Resort and the increased demand for logistics services to source fixtures, furniture and other construction materials from overseas locations, (iv) projected inflation, (v) projected increase in fuel prices, and (vi) prevailing rates offered by the CTSI Group.

As such, the Proposed CTSI Annual Caps have been arrived at on the assumptions that (i) all of the Group's hotels and resorts (with the exception of Kanoa Resort) will be in operation in year 2022, (ii) occupancy rate of the Group's hotels and resorts will gradually resume in year 2022, (iii) the Asset Rejuvenation Plan of Kanoa Resort will be implemented in year 2022, and (iv) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in year 2023 and year 2024. All of these factors are expected to result in an increased demand for the Freight and Logistics Transactions in order to deliver materials, supplies and merchandise from overseas locations.

In view of the above, the Directors (including the independent non-executive Directors) consider that the Proposed CTSI Annual Caps are fairly and reasonably determined.

If the actual amount payable by the Group under Freight and Logistics Transactions shall exceed the Proposed CTSI Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

## **D. Information of CTSI and the CTSI Group**

The CTSI Group is a freight and logistics service provider in Guam and Saipan of significant scale. The principal business activities of the CTSI Group include provision of freight forwarding and logistics service in Guam, Saipan, Palau and the Federated States of Micronesia, including but not limited to contract logistics, warehousing, trucking, inventory control, equipment rentals and international freight forwarding.

CTSI is indirectly wholly-owned by Luen Thai Group, which is in turn owned as to 49% by Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). CTSI is hence a 30%-controlled company of Dr. Tan Henry.

## **E. Reasons and benefits of the automatic renewal**

As disclosed in the Prospectus, the CTSI Framework Agreement provides the flexibility for the Group to enter into the Freight and Logistics Transactions in the form of individual purchase orders based on the Group's prevailing operating conditions, and regulates the Freight and Logistics Transactions within the boundary of the Listing Rules.

The Directors noted that the terms and conditions for the Freight and Logistics Transactions made under the CTSI Framework Agreement have been more favorable to the Group than those offered by other independent freight and logistics service providers. Taking into account the scale and quality of the CTSI Group's operations in Guam and Saipan and the favorable rates offered to the Group, the Directors are also of the view that the Freight and Logistics Transactions are in the interests of the Group and Shareholders as a whole.

Based on the above, the Directors (including the independent non-executive Directors) consider that (i) the terms and conditions of the CTSI Framework Agreement and the Proposed CTSI Annual Caps and (ii) the Freight and Logistics Transactions contemplated under the CTSI Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the CTSI Framework Agreement so that the Group may continue to regulate current and future Freight and Logistics Transactions under a clear framework agreement.

## **F. Implications of the Listing Rules**

As mentioned above, CTSI is indirectly wholly-owned by Luen Thai Group, which is in turn owned as to 49% by Dr. Tan Henry. Hence, each member of the CTSI Group is a 30%-controlled company of Dr. Tan Henry and thus an associate of a connected person under Rule 14A.12(1)(c) of the Listing Rules. As such, the transactions contemplated under the CTSI Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of the Proposed CTSI Annual Caps are more than 0.1% but less than 5%, the same are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **G. Directors' Interests**

Dr. Tan Henry has a material interest in the CTSI Framework Agreement and the Proposed CTSI Annual Caps by reason of his indirect controlling interest in CTSI. Accordingly, Dr. Tan Henry has abstained from voting on the board resolutions of the Company approving the automatic renewal of the CTSI Framework Agreement and the Proposed CTSI Annual Caps. Dr. Tan Siu Lin, Mr. Chiu George, Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie have also voluntarily abstained from voting on the relevant board resolutions.

All other Directors (including the independent non-executive Directors) have reviewed and approved the automatic renewal of the CTSI Framework Agreement and the Proposed CTSI Annual Caps.

## **INTERNAL CONTROL MEASURES**

The Audit Committee, which comprises only of the Group's independent non-executive Directors, continuously monitors and will continuously monitor the Group's continuing connected transactions on an on-going basis.

On an annual basis, an annual review report on continuing connected transactions will be compiled by the Audit Committee. The Audit Committee will carefully consider whether all of the continuing connected transactions of the Group are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or, if applicable, on terms no less favorable to the Group than those available to or from (as appropriate) independent third parties, and are fair and reasonable to the Group and in the interests of the Company and the Shareholders as a whole.

The Audit Committee is also empowered with various functions and powers to safeguard the annual review of the continuing connected transactions, including but not limited to meeting every six months to review the reports on continuing connected transactions, authority to appoint any financial or legal adviser as it considers necessary for its review, power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as the independent non-executive Directors see fit to ensure all continuing connected transactions are carried out on an arm's length basis.

Directors who may be perceived to have conflicts of interests, such as Directors who hold controlling interests in the connected persons, will not participate in any meetings or discussions of the Board and the Audit Committee, or be included in any decision making processes relating to such conflicting matters.

In addition, the Audit Committee is also empowered under the QZ Framework Agreement to consider and, if appropriate, give specific and express approval to all annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis (being the de minimis threshold under Rule 14A. 76(1) of the Listing Rules).

## **EGM**

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

THC Leisure (holder of 270,000,000 Shares representing 75% of the issued share capital of the Company as at the date of this announcement), is a controlled corporation of Dr. Tan Siu Lin and Dr. Tan Henry. Considering Dr. Tan Siu Lin's and Dr. Tan Henry's relationship with Mr. Zhou Xindong (the ultimate beneficial owner of QZ Tours), THC Leisure will voluntarily abstain from voting on the resolutions approving the automatic renewal of the QZ Framework Agreement, the Holiday Package Transactions contemplated thereunder and the Proposed QZ Annual Caps. Further, considering Dr. Tan Siu Lin's and Dr. Tan Henry's material interest in TakeCare, THC Leisure will also abstain from voting on the resolutions approving the automatic renewal of the TakeCare Framework Agreement, the Medical Insurance Transactions contemplated thereunder and the Proposed TakeCare Annual Caps.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps. Therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

The Independent Board Committee has been established to advise the Independent Shareholders on the terms of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and Medical Insurance Transactions respectively contemplated thereunder and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps. Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) information on the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder, the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before December 1, 2021.

## **INFORMATION OF THE GROUP**

The Group is principally engaged in (i) hotel and resort operations in Guam and Saipan; (ii) travel retail business of luxury and leisure clothing and accessories in Guam, Saipan and Hawaii; and (iii) the provision of destination services in Saipan including the operation of souvenir and convenience stores, the operation of excursion tours and the provision of land arrangement and concierge services.

Based on the 2021 Interim Report, the net asset value of the Company as at June 30, 2021 was approximately US\$89.1 million.

## **DEFINITIONS**

<b>2019 Annual Report</b>	the annual report of the Company dated March 26, 2020 for the financial year ended December 31, 2019
<b>2020 Annual Report</b>	the annual report of the Company dated March 30, 2021 for the financial year ended December 31, 2020
<b>2021 Interim Report</b>	the interim report of the Company dated August 27, 2021 for the six months ended June 30, 2021
<b>30%-controlled company</b>	has the meaning ascribed to it under the Listing Rules
<b>Asset Rejuvenation Plan</b>	the renovation, refurbishment and fit-out works contemplated for Fiesta Resort Saipan and Fiesta Resort Guam as detailed in the Prospectus and supplemented by the 2019 Annual Report and the 2020 Annual Report
<b>Audit Committee</b>	the audit committee of the Board
<b>Board</b>	the board of Directors
<b>CNMI</b>	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
<b>Company</b>	S.A.I. Leisure Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1832)

<b>Consumer Goods Framework Agreements</b>	the Cosmos Framework Agreement and the D&Q Framework Agreement collectively
<b>Consumer Goods Transactions</b>	individual purchase orders from time to time made by the Group with Cosmos and/or D&Q, under which the Group procures miscellaneous supplies of consumer goods, such as linens, towels, detergents and food and beverage ingredients, principally for the Group's hotels and resorts operations
<b>controlling shareholder</b>	has the meaning ascribed to it under the Listing Rules
<b>Cosmos</b>	Cosmos Distributing Co., Ltd., a company incorporated under the laws of Guam with limited liability
<b>Cosmos Framework Agreement</b>	the framework agreement entered into on April 9, 2019 between the Company and Cosmos in respect of Consumer Goods Transactions
<b>CTSI</b>	CTSI Holdings Limited, a company incorporated under the laws of Guam with limited liability
<b>CTSI Framework Agreement</b>	the framework agreement entered into on April 9, 2019 between the Company and CTSI in respect of Freight and Logistics Transactions
<b>CTSI Group</b>	CTSI and its subsidiaries collectively
<b>Director(s)</b>	the director(s) of the Company
<b>D&amp;Q</b>	D&Q Co., Ltd., a company incorporated under the laws of the CNMI with limited liability
<b>D&amp;Q Framework Agreement</b>	the framework agreement entered into on April 9, 2019 between the Company and D&Q in respect of Consumer Goods Transactions
<b>EGM</b>	the extraordinary general meeting of the Company to be held for the purpose of approving the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps

<b>Fiesta Resort Guam</b>	the Group's hotel located in Tumon Bay, Guam which is currently operating as "Fiesta Resort Guam"
<b>Fiesta Resort Saipan</b>	the Group's hotel located in Garapan, Saipan, which is currently operating as "Fiesta Resort & Spa Saipan"
<b>Framework Agreements</b>	the QZ Framework Agreement, the TakeCare Framework Agreement, the Consumer Goods Framework Agreements and the CTSI Framework Agreement collectively
<b>Freight and Logistics Transactions</b>	individual purchase orders from time to time made by the Group with the CTSI Group, under which the Group procures warehousing, international freight forwarding, customs clearance and local courier services from the CTSI Group for the Group's miscellaneous fixtures, furniture, retail merchandises and miscellaneous supplies and documents
<b>Group</b>	the Company and its subsidiaries
<b>Group Company</b>	the Company or any of its subsidiaries
<b>Guam</b>	Guam, a U.S. territory located in the Western Pacific Region
<b>Hawaii</b>	the State of Hawaii, U.S.
<b>Holiday Package Transactions</b>	individual agreements from time to time made between the Group and the QZ Tours Group, pursuant to which the QZ Tours Group would (i) reserve bulk accommodation in the Group's hotels and resorts, (ii) purchase meal coupons from the Group's on-site restaurants and self-operated excursion tours, and (iii) procure destination-based, concierge and travel management services from the Group's destination services business segment (including typical sales agreements that are negotiated and typically signed on an annual basis with the QZ Tours Group and individual purchase orders)
<b>Hong Kong</b>	the Hong Kong Special Administrative Region of the PRC
<b>Hotel Manager</b>	IHC Hotel Limited (a wholly-owned subsidiary of InterContinental Hotels Group), currently the hotel manager of Fiesta Resort Guam and Fiesta Resort Saipan

<b>Independent Board Committee</b>	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps)
<b>Independent Financial Adviser or Lego Corporate Finance</b>	Lego Corporate Finance Limited, a licenced corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps)
<b>independent third party(ies)</b>	has the meaning ascribed to it under the Listing Rules
<b>Independent Shareholders</b>	Shareholders other than those who have a material interest in the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps)
<b>InterContinental Hotels Group</b>	InterContinental Hotels Group Plc., the shares of which are dual listed on the New York Stock Exchange (stock code: IHG) and the London Stock Exchange (stock code: IHG)
<b>Kanoa Resort</b>	the Group's hotel located in Susupe, Saipan which is currently operating as "Kanoa Resort"
<b>Listing</b>	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
<b>Listing Date</b>	May 16, 2019, being the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
<b>Listing Rules</b>	the Rules Governing the Listing of Securities on the Stock Exchange

<b>Luen Thai Group</b>	Luen Thai Group Limited, a company incorporated under the laws of the Commonwealth of the Bahamas
<b>Mainland China</b>	the PRC exclusive of Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
<b>Medical Insurance</b>	medical and dental insurance coverage for the Group's employees, where the employee also has the option to enhance his/her coverage and benefits and/or extend the coverage to his/her family members by paying additional insurance premium (to be settled through the Group initially and deducted from his/her salary)
<b>Medical Insurance Transactions</b>	individual insurance policies from time to time made between Group Companies and TakeCare in respect of Medical Insurance
<b>PRC</b>	the People's Republic of China
<b>Proposed Consumer Goods Annual Caps</b>	the proposed new annual caps in respect of the aggregated amounts payable by the Group to Cosmos and D&Q under the Consumer Goods Framework Agreements in the three financial years ending December 31, 2024
<b>Proposed CTSI Annual Caps</b>	the proposed new annual caps in respect of the amounts payable by the Group to CTSI under the CTSI Framework Agreement for the three financial years ending December 31, 2024
<b>Proposed QZ Annual Caps</b>	the proposed new annual caps in respect of the amounts payable by the QZ Tours Group to the Group under the QZ Framework Agreement for the three financial years ending December 31, 2024
<b>Proposed TakeCare Annual Caps</b>	the proposed new annual caps in respect of the amounts payable by the Group to TakeCare under the TakeCare Framework Agreement for the three financial years ending December 31, 2024

<b>Prospectus</b>	the prospectus of the Company published on April 30, 2019
<b>QZ Framework Agreement</b>	the framework agreement entered into on April 9, 2019 between the Company and QZ Tours in respect of Holiday Package Transactions
<b>QZ Tours</b>	泉州市世紀旅遊投資有限公司, a company established in the PRC on August 30, 2012 with limited liability
<b>QZ Tours Group</b>	QZ Tours and its subsidiaries collectively
<b>Saipan</b>	Saipan, the largest and most populated island in the CNMI
<b>SFO</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>Share(s)</b>	ordinary share(s) in the share capital of the Company
<b>Shareholder(s)</b>	holder(s) of Share(s)
<b>Stock Exchange</b>	The Stock Exchange of Hong Kong Limited
<b>TakeCare</b>	TakeCare Insurance Company, Inc., a company incorporated under the laws of Guam
<b>TakeCare Framework Agreement</b>	the framework agreement dated April 9, 2019 and made between the Company and TakeCare in respect of Medical Insurance
<b>Tan Holdings</b>	Tan Holdings Corporation, a company incorporated under the laws of the the CNMI with limited liability, which holds the entire issued share capital of THC Leisure and is a controlling shareholder of the Company

**THC Leisure**

THC Leisure Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, the controlling shareholder of the Company

**U.S.**

the United States of America, its territories, its possessions and all areas subject to its jurisdiction

**US\$**

United States dollars, the lawful currency of the U.S.

On behalf of the Board

**S.A.I. Leisure Group Company Limited**

**Henry Tan, BBS, JP**

*Vice Chairman, Executive Director*

*and Chief Executive Officer*

Hong Kong, November 10, 2021

*As at the date of this announcement, the Board comprises: (i) Dr. TAN Henry, Mr. CHIU George, Mrs. SU TAN Jennifer Sze Tink and Mr. SCHWEIZER Jeffrey William as the executive Directors; (ii) Dr. TAN Siu Lin (Chairman) and Mr. TAN Willie as the non-executive Directors; and (iii) Prof. CHAN Pak Woon David, Mr. MA Andrew Chiu Cheung and Mr. CHAN Leung Choi Albert as the independent non-executive Directors.*