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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)

DISCLOSEABLE TRANSACTION

CONSTRUCTION CONTRACT IN RELATION TO THE RENOVATION AND UPGRADE OF THE GUAM HOTEL

Construction Contract in relation to the Renovation and Upgrade of the Guam Hotel

The Board hereby announces that on November 5, 2020 (after trading hours), APHI Guam (an indirectly wholly-owned subsidiary of the Company) as owner entered into the Construction Contract with the Contractor (an independent third party) as prime contractor in respect of Renovation Works for the guestrooms of the Guam Hotel (currently known as “Fiesta Resort Guam”). The Renovation Works form part of the renovation and upgrade works under the Asset Rejuvenation Plan and the Rebranding Works under the Hotel Management Agreement in order to prepare the Guam Hotel to be reopened under the new brand name “Crowne Plaza Resort Guam”, which is currently expected to be in mid-2021.

Pursuant to the Construction Contract, the Renovation Works for the 318 existing guestrooms in the North Tower and the South Tower of the Guam Hotel are currently expected to be substantially completed by January 2021 and April 2021 respectively. Upon completion of the Renovation Works, the Guam Hotel will have 321 newly renovated rooms and suites for its guests.

Listing Rules Implications

As the Guam Hotel is for the Group’s own use in its usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the Construction Contract and other transactions made or to be made between APHI Guam and the Contractor in respect of the Guam Hotel (if any) are not required to be aggregated and treated as one transaction.

However, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Construction Contract exceeds 5% but are less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Construction Contract in relation to the Renovation and Upgrade of the Guam Hotel

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Principal Terms of the Construction Contract

Summarized below are the principal terms of the Construction Contract:

- Date** : November 5, 2020
- Parties** : (1) APHI Guam (as owner); and
(2) the Contractor (as prime contractor)
- Scope of Renovation Works** : Guestroom construction works and guestroom corridor construction works for the Guam Hotel as detailed in the Construction Contract, including but not limited to the complete removal and replacement of the electrical, plumbing, ventilation and air-conditioning systems, flooring, furniture, fixtures and fittings, electrical appliances and accessories etc., as well as the conversion of an existing suite into 4 guestrooms. APHI Guam may order changes to the works within the general scope of the Construction Contract.

Substantial Completion Date : When the Renovation Works or a designated portion thereof are/ is substantially complete, the Architect will prepare a certificate of substantial completion which shall establish the date of substantial completion. Subject to any adjustment to the scope of the Renovation Works, the Contractor shall achieve substantial completion of the Renovation Works for the guestrooms in the North Tower and the South Tower of the Guam Hotel by January 22, 2021 and April 30, 2021 respectively. Accordingly, it is expected that substantial completion of the entire Renovation Works shall be achieved by April 30, 2021.

Contract sum : The total contract sum payable by APhi Guam to the Contractor shall be approximately US\$7,027,000, which comprises:—

- (1) construction costs in the sum of approximately US\$5,813,000 (including labor costs, sub-contract costs, costs of materials and equipment, allowances and other costs), subject to any adjustment to the scope of the Renovation Works; and
- (2) contractor's fees in the sum of approximately US\$1,214,000 (including insurance, taxes and other fees), which is calculated with reference to the total construction costs and may accordingly be subject to adjustment.

Payment terms : The contract sum shall be paid by progress payments based on applications for payment submitted by the Contractor together with certificates for payment issued by the Architect and other supporting documents. The period covered by each application for payment shall be one calendar month ending on the last day of the month.

For each progress payment, APhi Guam has the right to retain 10% from the amount otherwise due as retainage. Once the Renovation Works are 50% complete, the retainage right shall be reduced to 5%.

The final payment will be payable after full performance of the Construction Contract by the Contractor. The Prime Contractor is required to submit final accounts for the construction costs to APhi Guam. APhi Guam has the right to conduct an audit on the construction costs and a final certificate for payment will be issued by the Architect after receipt of the audit report in accordance with the terms of the Construction Contract.

Information of the Group

The Group is principally engaged in (1) hotel and resort operations in Saipan and Guam; (2) travel retail business of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii; and (3) 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 2020 Interim Report, the net asset value of the Company as at June 30, 2020 was approximately US\$102.7 million.

Information of the Guam Hotel and APhi Guam

The Guam Hotel is currently known as “Fiesta Resort Guam”, which is a 17,567 sq. m. facility located at the Tumon Bay tourism center in Guam. As at the date of this announcement, the Guam Hotel comprises 318 rooms. The Guam Hotel is operated on leasehold interests held by APhi Guam, and the expiry date of the current land lease for the Guam Hotel is September 30, 2053. Since October 15, 2019, the Guam Hotel has been managed and operated by the Hotel Manager (a wholly-owned subsidiary of InterContinental Hotels Group) pursuant to the Hotel Management Agreement as disclosed in the announcement of the Company issued on September 10, 2019.

APhi Guam is an operating subsidiary of the Group which currently owns the Guam Hotel. It is an indirectly wholly-owned subsidiary of the Company. Under the Hotel Management Agreement, APhi Guam retains its rights over certain key managerial, financial and strategic decisions as the hotel owner.

Information of the Contractor

The Contractor is principally engaged in undertaking building construction and renovation work as a prime contractor in the Northern Mariana Islands, Guam and the Federated States of Micronesia. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are independent third parties.

The Contractor was selected by APhi Guam as the prime contractor after due and careful consideration, taking into account a number of factors, including quality of work, experience and market position.

Value of consideration

The aggregate value of the consideration payable under the Construction Contract is approximately US\$7,027,000, which will be funded partly by the net proceeds from Listing and partly by the Group's internal resources.

The consideration was determined after arm's length negotiations between APHI Guam and the Contractor and on normal commercial terms with reference to the standard required for the Renovation Works, the experience and market position of the Contractor and the expected quality of the Renovation Works.

Reasons and benefits for entering into the Construction Contract

One of the principal businesses of the Group is the operation of hotels and resorts in Saipan and Guam. For the financial year ended December 31, 2019, the Guam Hotel contributed to 20.4% of the Group's total revenue.

As disclosed in the Prospectus, asset quality (including but not limited to room age, contemporary decoration and maintenance standard) is the primary factor when leisure travelers select their holiday accommodation. The Guam Hotel's relatively dated asset quality has impaired its ability to command higher room rates.

Taking into account the market landscape of the Guam Hotel, the Directors (including the independent non-executive Directors) are of the view that the Renovation Works under the Construction Contract will increase the accommodation capacity of the Guam Hotel and position the Guam Hotel at a high-end market position capable of commanding a higher revenue and reaching out to a wider and more premium customer base. This is in line with the Group's elaborate business strategies to (1) increase average room rates and achieve stronger yield and (2) expand the long-term accommodation capacity in its Hotels & Resorts Segment as disclosed in the Prospectus.

The Directors (including independent non-executive Directors), having reviewed and approved the Construction Contract and based on their industry experiences, are of the view that the terms of the Construction Contract are on normal commercial terms and are fair and reasonable and entering into of the Construction Contract is in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Construction Contract or was required to abstain from voting on the Board resolutions approving the Construction Contract.

Implications under the Listing Rules

As the Guam Hotel is for the Group's own use in its usual course of business, according to Rule 14.23A of the Listing Rules, the transaction contemplated under the Construction Contract and other transactions made or to be made between APhi Guam and the Contractor (if any) in respect of the Guam Hotel are not required to be aggregated and treated as one transaction.

However, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Construction Contract exceeds 5% but are less than 25%, the transaction contemplated under the Construction Contract constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Asset Rejuvenation Plan

The Asset Rejuvenation Plan of the Guam Hotel is currently being undertaken in the manner described in the Prospectus and supplemented by the 2019 Annual Report, except that the estimated total capital expenditure is now projected to be approximately US\$35.9 million (representing an increase of approximately US\$3.2 million), of which approximately US\$24.2 million will be used in the year ending December 31, 2020 and approximately US\$11.3 million will be used in the year ending December 31, 2021. The increase is primarily due to the fact that the Group's management has decided to invest in a more energy-efficient air-conditioning system.

The additional estimated capital expenditure will be funded by the Group's internal resources. As at the date of this announcement, there is no change to or further delay in the use of proceeds from the Listing as disclosed in the Prospectus and supplemented by the 2019 Annual Report.

DEFINITIONS

2019 Annual Report	the annual report of the Company dated March 26, 2020 for the financial year ended December 31, 2019
2020 Interim Report	the interim report of the Company dated August 27, 2020 for the six months ended June 30, 2020
APHI Guam	Asia Pacific Hotels, Inc. (Guam), a corporation incorporated on April 29, 2002 in Guam with limited liability, which is an indirectly wholly-owned subsidiary of the Company

Architect	an architect or entity retained or to be retained by APHI Guam in accordance with the Construction Contract, which shall be lawfully licensed to practice architecture in Guam
Asset Rejuvenation Plan	the renovation, refurbishment and fit-out works contemplated for the Guam Hotel as detailed in the Prospectus and supplemented by the 2019 Annual Report
Board	the board of directors of the Company
CNMI	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
Company	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)
Construction Contract	the agreement (including all contract documents comprised therein) dated November 5, 2020 and entered into between APHI Guam and the Contractor in respect of the Renovation Works to be carried out at the Guam Hotel, the principal terms of which are set out in the section headed “Principal Terms of the Construction Contract” of this announcement
Contractor	GPPC, Inc., a corporation incorporated in the CNMI, the ultimate beneficial owner of which is Mr. Hang Chieng Tan, an independent third party
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries
Guam	Guam, a U.S. territory located in the Western Pacific Region
Guam Hotel	the Group’s hotel located in Tumon Bay, Guam which is currently operated as “Fiesta Resort Guam”
Hawaii	the State of Hawaii, U.S.
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China

Hotel Management Agreement	the hotel management agreement dated September 10, 2019 entered into between APHI Guam and the Hotel Manager (as manager and licensor) in respect of, among other things, the Hotel Management Services to be provided by the Hotel Manager at the Guam Hotel
Hotel Management Services	the various management and operational services to be carried out by the Hotel Manager under the Hotel Management Agreement, including without limitation, the day-to-day management and operations of the Guam Hotel in accordance with the “Crowne Plaza” brand standards as prescribed under the Hotel Management Agreement
Hotel Manager	IHC Hotel Limited (a wholly-owned subsidiary of InterContinental Hotels Group), the manager of the Guam Hotel under the Hotel Management Agreement
independent third party(ies)	has its meanings ascribed to it under the Listing Rules
InterContinental Hotels Group	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)
Listing	the listing of the shares of the Company on the Main Board Stock Exchange on May 16, 2019
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Prospectus	the prospectus of the Company published on April 30, 2019
Rebranding Works	the works required to refurbish and fit-out the Guam Hotel in accordance with the terms of the Hotel Management Agreement to the brand standards of the “Crowne Plaza” brand
Renovation Works	the renovation and upgrade works in respect of the Guam Hotel to be executed by the Contractor pursuant to the Construction Contract as described in the paragraph headed “Scope of Renovation Works” under the section headed “Principal Terms of the Construction Contract” of this announcement
Saipan	Saipan, the largest and most populated island in the CNMI
Shareholder(s)	shareholder(s) of the Company

Stock Exchange	The Stock Exchange of Hong Kong Limited
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
*Vice Chairman, Executive Director
and Chief Executive Officer*

Hong Kong, November 5, 2020

As at the date of this announcement, the Board of Directors of the Company comprises: (1) Dr. TAN Henry, Mr. CHIU George, Mrs. SU TAN Jennifer Sze Tink and Mr. SCHWEIZER Jeffrey William as the Executive Directors; (2) Dr. TAN Siu Lin (Chairman) and Mr. TAN Willie as the Non-Executive Directors; and (3) Prof. CHAN Pak Woon David, Mr. MA Andrew Chiu Cheung and Mr. CHAN Leung Choi Albert as the Independent Non-Executive Directors.