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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)

MAJOR TRANSACTION

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

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

The Board hereby announces that on February 19, 2021 (after trading hours), APhi Guam (an indirectly wholly-owned subsidiary of the Company) as owner entered into two Construction Contracts with the Contractor (an independent third party) as prime contractor in respect of the Renovation Works for the public spaces and exterior of the Guam Hotel (currently known as “Fiesta Resort Guam”).

As disclosed in the Previous Announcement, APhi Guam has entered into the Previous Construction Contract with the Contractor on November 5, 2020 in respect of renovation and upgrade works currently being carried out to the guestrooms of the Guam Hotel.

Similar to the guestroom renovation works under the Previous Construction Contract, the Renovation Works under the Construction Contracts form part of the renovation and upgrade works of the Guam Hotel 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 Contracts, the Renovation Works (except the construction of the new tower slide feature) are currently expected to be substantially completed by June 2021.

Listing Rules Implications

As the Construction Contracts and the Previous Construction Contract (details of which were set out in the Previous Announcement) were entered into with the same contractor within a 12-month period and they involve the same asset, the Stock Exchange requires the Company to aggregate the Construction Contracts and the Previous Construction Contract and treat them as if they were one transaction under Rule 14.22 and Rule 14.23 of the Listing Rules.

The Construction Contracts and the Previous Construction Contract (on an aggregated basis) constitute a major transaction of the Company as one or more of the applicable percentage ratios is 25% or more but less than 100%, and is therefore subject to the reporting, announcement and shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions under the Construction Contracts. Since no Shareholder is required to abstain from voting if a general meeting was convened to approve the Construction Contracts, a written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Chapter 14 of the Listing Rules. THC Leisure, being the controlling shareholder of the Company holding 270,000,000 Shares (representing 75% of the total issued share capital of the Company) has given a written approval to the Construction Contracts. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Construction Contracts.

In accordance with Rule 14.41(a) of the Listing Rules, the circular containing further information in relation to the Construction Contracts will be despatched to the Shareholders for information purpose on or before March 12, 2021.

INTRODUCTION

The Board hereby announces that on February 19, 2021 (after trading hours), APHI Guam (an indirectly wholly-owned subsidiary of the Company) as owner entered into two Construction Contracts with the Contractor (an independent third party) as prime contractor in respect of the Renovation Works for the public spaces and exterior of the Guam Hotel (currently known as "Fiesta Resort Guam").

As disclosed in the Previous Announcement, APHI Guam has entered into the Previous Construction Contract with the Contractor on November 5, 2020 in respect of renovation and upgrade works currently being carried out to the guestrooms of the Guam Hotel.

Similar to the guestroom renovation works under the Previous Construction Contract, the Renovation Works under the Construction Contracts form part of the renovation and upgrade works of the Guam Hotel 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 Contracts, the Renovation Works (except the construction of the new tower slide feature) are currently expected to be substantially completed by June 2021.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACTS

Summarized below are the principal terms of the two Construction Contracts each dated February 19, 2021 and entered into between APHI Guam (as owner) and the Contractor (as prime contractor):

(1) Public Space Construction Contract

Scope of Public Space Works : Construction works to be carried out to the public spaces of the Guam Hotel as detailed in the Public Space Construction Contract, including but not limited to the complete renovation of the main entrance, reception, lobby lounge, bars, restaurant, public bathrooms and retail areas, conversion of the existing ballroom to a club lounge and studio area, and replacement of the electrical, plumbing, ventilation and air-conditioning systems etc. APHI Guam may order changes to the works within the general scope of the contract.

Substantial Completion Date : When the Public Space 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 Public Space Works, the Contractor shall achieve substantial completion of the Public Space Works by June 11, 2021.

- Contract sum** : The total contract sum payable by APHI Guam to the Contractor shall be approximately US\$7,260,000, which comprises:
- (1) construction costs in the sum of approximately US\$6,129,000 (including labor costs, costs of materials and equipment, allowances and other costs), subject to any adjustment to the scope of the Public Space Works; and
 - (2) contractor's fees in the sum of approximately US\$1,131,000 (including insurance, taxes and other fees), which is calculated with reference to the total construction costs and may accordingly be subject to adjustment.

(2) Exterior Construction Contract

Scope of Exterior Works : Construction works to be carried out to the exterior areas of the Guam Hotel as detailed in the Exterior Construction Contract, including but not limited to the complete renovation of the adult pool, kids pool and outdoor theatre, restoration of the lawn areas, replacement of pool equipment and the electrical, plumbing and storm water management systems, and the construction of a new tower slide feature etc. APHI Guam may order changes to the works within the general scope of the contract.

Substantial Completion Date : When the Exterior 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 Exterior Works, the Contractor shall achieve substantial completion of the Exterior Works (except the construction of the new tower slide feature) by June 25, 2021 or within 19 weeks from the date of issuance of the requisite government permit and commencement of work. For the construction of the new tower slide feature, the Contractor shall achieve substantial completion by July 23, 2021.

- Contract sum** : The total contract sum payable by APHI Guam to the Contractor shall be approximately US\$4,994,000, which comprises:
- (1) construction costs in the sum of approximately US\$4,131,000 (including labor costs, costs of materials and equipment, allowances and other costs), subject to any adjustment to the scope of the Exterior Works; and
 - (2) contractor's fees in the sum of approximately US\$863,000 (including insurance, taxes and other fees), which is calculated with reference to the total construction costs and may accordingly be subject to adjustment.

Under the terms of each Construction Contract, the contract sum will 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 under the relevant Construction Contract are 50% complete, the retainage right shall be reduced to 5%.

The final payment will be payable after full performance of the relevant Construction Contract by the Contractor. The 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 relevant 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, availability and market position.

VALUE OF CONSIDERATION

The aggregate value of the consideration payable under the Construction Contracts is approximately US\$12,254,000, which will be funded partly by the net proceeds from Listing, partly by the Group’s internal resources and partly by external financing.

The consideration under each of the Construction Contracts 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 CONTRACTS

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 Contracts will 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 increase average room rates and achieve stronger yield in its Hotels & Resorts Segment as disclosed in the Prospectus.

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

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

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 and the Previous Announcement. 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 and the Previous Announcement.

IMPLICATIONS UNDER THE LISTING RULES

As the Construction Contracts and the Previous Construction Contract (details of which were set out in the Previous Announcement) were entered into with the same contractor within a 12-month period and they involve the same asset, the Stock Exchange requires the Company to aggregate the Construction Contracts and the Previous Construction Contract and treat them as if they were one transaction under Rule 14.22 and Rule 14.23 of the Listing Rules.

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In accordance with Rule 14.41(a) of the Listing Rules, the circular containing further information in relation to the Construction Contracts will be despatched to the Shareholders for information purpose on or before March 12, 2021.

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 terms of each 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)
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Construction Contracts	the Public Space Construction Contract and the Exterior Construction Contract collectively
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
Exterior Construction Contract	the agreement (including all contract documents comprised therein) dated February 19, 2021 and entered into between APHI Guam and the Contractor in respect of the Exterior 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 Contracts — (2) Exterior Construction Contract” of this announcement

Exterior Works	the renovation and upgrade works in respect of the exterior of the Guam Hotel to be executed by the Contractor pursuant to the Exterior Construction Contract as described in the paragraph headed “Scope of Exterior Works” under the section headed “Principal Terms of the Construction Contracts — (2) Exterior Construction Contract” of this announcement
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 and entered into between APhi Guam and the Hotel Manager (as manager and licensor) as detailed in the announcement of the Company issued on September 10, 2019
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 the meaning 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 of the Stock Exchange on May 16, 2019
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange

Previous Announcement	the announcement of the Company published on November 5, 2020 in respect of the Previous Construction Contract
Previous 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 and upgrade works for the guestrooms of the Guam Hotel
Prospectus	the prospectus of the Company published on April 30, 2019
Public Space Construction Contract	the agreement (including all contract documents comprised therein) dated February 19, 2021 and entered into between APHI Guam and the Contractor in respect of the Public Space 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 Contracts — (1) Public Space Construction Contract” of this announcement
Public Space Works	the renovation and upgrade works in respect of the public spaces of the Guam Hotel to be executed by the Contractor pursuant to the Public Space Construction Contract as described in the paragraph headed “Scope of Public Space Works” under the section headed “Principal Terms of the Construction Contracts — (1) Public Space Construction Contract” of this announcement
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 Public Space Works and the Exterior Works collectively
Saipan	Saipan, the largest and most populated island in the CNMI
Share(s)	ordinary share(s) in the share capital of the Company
Shareholder(s)	holder(s) of Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited

THC Leisure	THC Leisure Holdings Limited, a company incorporated on October 18, 2018 in 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
Vice Chairman,
Executive Director and Chief Executive Officer

Hong Kong, February 19, 2021

As at the date of this announcement, the Board 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.