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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

GROUP FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2020	2019
	US$'000	*US$'000*
Revenue	**40,784**	98,699
Operating (loss)/profit	**(12,194)**	10,580
(Loss)/profit attributable to owners of the Company	**(9,320)**	10,100
Profit margin (ratio of (loss)/profit attributable to owners of the Company to revenue)	**-22.9%**	10.2%
Basic (loss)/earnings per share *(US cents)*	**(2.6)**	3.1

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2020 (the "**Year**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	**2020** *US$'000*	2019 *US$'000*
Revenue	3	**40,784**	98,699
Cost of inventories sold	5	**(7,933)**	(16,617)
Food and beverage costs	5	**(1,237)**	(6,337)
Employee benefit expenses	5	**(13,571)**	(24,962)
Utilities, repairs and maintenance	5	**(3,697)**	(7,000)
Other gains/(losses), net	4	**70**	(265)
Operating and other expenses	5	**(26,610)**	(32,938)
Operating (loss)/profit		**(12,194)**	10,580
Finance income	6	**298**	427
Finance costs	6	**(883)**	(737)
Finance costs, net	6	**(585)**	(310)
(Loss)/profit before income tax		**(12,779)**	10,270
Income tax credit/(expense)	7	**2,017**	(95)
(Loss)/profit for the year		**(10,762)**	10,175
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		**1**	3
Total comprehensive (loss)/income for the year		**(10,761)**	10,178
(Loss)/profit attributable to:			
Owners of the Company		**(9,320)**	10,100
Non-controlling interests		**(1,442)**	75
		(10,762)	10,175
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(9,319)**	10,103
Non-controlling interests		**(1,442)**	75
		(10,761)	10,178
(Loss)/earnings per share attributable to owners of the Company			
— Basic and diluted *(US cents)*	9	**(2.6)**	3.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	**2020**	2019
		US$'000	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**54,719**	51,478
Investment properties		**2,228**	2,507
Intangible assets		**229**	357
Deferred income tax assets		**3,290**	2,035
Deposits		**934**	681
Financial asset at fair value through other comprehensive income		**508**	507
		61,908	57,565
Current assets			
Inventories		**4,657**	8,290
Trade receivables	10	**15,251**	3,551
Deposits, prepayments and other receivables		**1,106**	2,668
Amounts due from related parties		**4**	50
Income tax recoverable		**2,561**	2,461
Cash and cash equivalents		**38,164**	56,602
		61,743	73,622
Total assets		**123,651**	131,187
EQUITY			
Equity attributable to owners of the Company			
Share capital		**461**	461
Share premium		**38,122**	38,122
Capital reserve		**27,006**	27,006
Other reserve		**4,840**	4,839
Retained earnings		**21,471**	31,801
		91,900	102,229
Non-controlling interests		**(85)**	1,357
Total equity		**91,815**	103,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2020

	Note	**2020**	2019
		US$'000	*US$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**17,585**	14,714
Deferred income tax liabilities		**—**	762
		17,585	15,476
Current liabilities			
Trade and other payables	11	**12,006**	9,086
Contract liabilities		**—**	413
Lease liabilities		**2,003**	2,481
Amounts due to related parties		**213**	70
Income tax payable		**29**	75
		14,251	12,125
Total liabilities		**31,836**	27,601
Total equity and liabilities		**123,651**	131,187

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

S.A.I. Leisure Group Company Limited was incorporated in the Cayman Islands on October 18, 2018 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands, and its principal place of business in Hong Kong is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

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

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

2 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

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

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing January 1, 2020:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The adoption of these amendments to standards and revised framework does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

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

Certain new accounting standards and amendments to standards have been published that are not mandatory for December 31, 2020 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be announced
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	January 1, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023

The Group will adopt the new and amended standards and interpretations when they become effective. Management is in the process of assessing the impact of these new and amended standards and interpretations to existing HKFRSs and none of these is expected to have a significant effect on the consolidated financial statements of the Group.

(c) ***Early adoption of amendments to standard during the year ended December 31, 2020 where early adoption is permitted***

The following amendments to HKFRSs, which is applicable to the Group but are not yet effective for the current period, have been early adopted in the current year:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling US$952,000 have been accounted for as negative variable lease payments and recognized in operating and other expenses in the consolidated statement of comprehensive income for the year ended December 31, 2020 with a corresponding adjustment to the lease liabilities.

3 Segment information

The executive directors have been identified as the Group's chief operating decision-maker (the "**CODM**"). The CODM has determined the operating segments based on the reports reviewed by them that are used to make strategic decisions and resources allocation. The Group's businesses are managed according to the nature of their operations and the products and services they provide.

The CODM has identified three reportable operating segments as follows:

(a) Hotels and resorts: operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam (the "**Hotels & Resorts Segment**");

(b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii (the "**Luxury Travel Retail Segment**");

(c) Destination services: provision of destination activities in Saipan including (i) operation of souvenir and convenience stores; (ii) excursion tour operation; and (iii) provision of land arrangement and concierge services (the "**Destination Services Segment**").

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

The Group's CODM assesses the performance of the operating segments based on adjusted operating profit/(loss). Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other gains/(losses), net are not included in the result for each operating segment that is reviewed by the Group's CODM.

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2020 are as follows:

	Year ended December 31, 2020				
	Hotels and resorts	Luxury travel retail	Destination services	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue					
Total segment revenue	30,123	10,120	587	—	40,830
Inter-segment revenue	(46)	—	—	—	(46)
Revenue from external customers	30,077	10,120	587	—	40,784
Segment results	(1,610)	(7,695)	(1,523)	(1,436)	(12,264)
Other gains, net					70
Finance income					298
Finance costs					(883)
Loss before income tax					(12,779)
Income tax credit					2,017
Loss for the year					(10,762)
Loss for the year includes:					
Depreciation for property, plant and equipment	4,871	3,283	216	56	8,426
Depreciation for investment properties	113	—	—	—	113
Amortization for intangible assets	116	20	—	—	136
Provision for obsolete inventory	—	578	—	—	578
Provision for impairment of trade receivables	399	—	—	—	399
Write-off of property, plant and equipment and investment properties	2,938	—	—	—	2,938
Impairment loss on property, plant and equipment	—	2,774	726	—	3,500
Capital expenditure	17,323	607	16	3	17,949

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

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

Revenue between segments are carried out in accordance with the terms mutually agreed between the respective group entities. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Geographical information

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

	2020	2019
	US$'000	*US$'000*
Saipan	**26,803**	55,486
Guam	**12,718**	36,882
Hawaii	**1,263**	6,331
	40,784	98,699

The geographical location is based on the location at which the services were rendered or the goods delivered.

The non-current assets other than deferred income tax assets and financial instruments broken down by geographical location of the assets, is shown as below:

	2020	2019
	US$'000	*US$'000*
Saipan	**14,763**	13,726
Guam	**41,014**	38,428
Hawaii	**1,327**	2,063
Hong Kong	**72**	125
	57,176	54,342

Information about major customers

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

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

	2020	2019
	US$'000	*US$'000*
Customer A	**N/A**	10,994
Customer B	**16,447**	N/A

All other customers individually accounted for less than 10% of the Group's revenue for the year ended December 31, 2020.

(a) *Disaggregation of revenue*

The Group derives its revenue from the transfer of goods and services over time and at point in time in the following major product lines:

	2020	2019
	US$'000	*US$'000*
Room rentals	**24,894**	44,073
Food and beverage	**4,681**	18,618
Retailing		
— Luxury and leisure clothing and accessories	**10,120**	30,312
— Souvenirs and others	**432**	1,501
Operating excursion tour and rendering of land arrangement services	**155**	2,175
Other hospitality *(Note (i))*	**183**	1,048
Space rental income *(Note (ii))*	**319**	972
	40,784	98,699

Notes:

(i) Other hospitality mainly represents late check-out charges, cancellation charges, laundry income, sales of items from mini bar, smoking fee and extra bed charges.

(ii) Space rental income mainly represents rental income derived from third-party operating services and facilities.

	2020	2019
	US$'000	*US$'000*
Timing of revenue recognition		
At point in time	**15,526**	53,281
Over time	**24,939**	44,446
	40,465	97,727
Revenue from other sources:		
Rental income	**319**	972
	40,784	98,699

(b) Contract liabilities

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

	2020	2019
	US$'000	*US$'000*
Contract liabilities related to hotel operation *(Note (i), (ii))*	**—**	413

Notes:

(i) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized in respective years in relation to carried-forward contract liabilities.

	2020	2019
	US$'000	*US$'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year — hotel operation	**413**	453

(ii) Contract liabilities represent advanced payments received from customers for services that have not yet been performed to the customers. As at December 31, 2019, the contract liabilities mainly included the advanced payments received from individual customers for hotel services to be rendered after the end of reporting period.

The Group elected the practical expedient for not to disclose the remaining performance obligations as the performance obligation is part of a contract that has an original expected duration of one year or less.

4 Other gains/(losses), net

	2020	2019
	US$'000	*US$'000*
Net exchange losses	**(8)**	(252)
Gains/(losses) on disposal of property, plant and equipment	**78**	(13)
	70	(265)

5 Expenses by nature

	2020 *US$'000*	2019 *US$'000*
Cost of inventories sold	**7,933**	16,617
Food and beverage costs	**1,237**	6,337
Employee benefit expenses	**13,571**	24,962
Utilities, repairs and maintenance	**3,697**	7,000
Short-term leases expenses*	**183**	388
Variable lease payment expenses*	**249**	1,136
Rent concessions from lessors*	**(952)**	—
Depreciation on property, plant and equipment*	**8,426**	8,843
Depreciation on investment properties*	**113**	115
Amortization on intangible assets*	**136**	125
Other taxes and licenses*	**2,337**	4,857
Supplies and tools*	**982**	3,117
Shared-services expenses*	**204**	278
Laundry expenses*	**339**	1,282
Temporary labour costs*	**218**	605
Commission expenses*	**644**	2,703
Insurance expenses*	**1,040**	1,388
Provision for impairment of trade receivables*	**399**	56
Provision for obsolete inventory*	**578**	88
Write-off of property, plant and equipment and investment properties*	**2,938**	—
Impairment loss on property, plant and equipment*	**3,500**	—
Auditors' remuneration*		
— Audit services	**218**	300
— Non-audit services	**13**	21
Listing expenses*	**—**	1,524
Hotel management fees*	**612**	248
Other miscellaneous expenses* *(Note(a))*	**4,433**	5,864
	53,048	87,854
Representing:		
Cost of inventories sold	**7,933**	16,617
Food and beverage costs	**1,237**	6,337
Employee benefit expenses	**13,571**	24,962
Utilities, repairs and maintenance	**3,697**	7,000
Operating and other expenses	**26,610**	32,938
	53,048	87,854

* *Included in "Operating and other expenses"*

Note:

(a) Other miscellaneous expenses mainly represent professional fees, donations, promotion, communication, transportation and entertainment expenses.

6 Finance costs, net

	2020	2019
	US$'000	*US$'000*
Finance costs:		
— Interest expenses on lease liabilities	**(852)**	(737)
— Interest expenses on Paycheck Protection Program loans	**(31)**	—
	(883)	(737)
Finance income:		
— Interest income from bank deposits	**275**	417
— Interest income from financial asset at fair value through other comprehensive income	**23**	10
	298	427
Finance costs, net	**(585)**	(310)

7 Income tax (credit)/expense

No provision for the Commonwealth of the Northern Mariana Islands ("**CNMI**"), Guam and Hawaii corporate income tax has been made as the Group did not generate any assessable profits arising in the CNMI, Guam and Hawaii during the year ended December 31, 2020. Taxation on profits has been calculated on the estimated assessable profit for the year ended December 31, 2019 at the rates of taxation prevailing in the countries in which the Group operates.

	2020	2019
	US$'000	*US$'000*
Current tax		
United States corporate income tax	**—**	576
Deferred tax		
Origination and reversal of temporary differences	**(2,017)**	(481)
	(2,017)	95

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

Companies incorporated and operating in the CNMI are entitled to use business gross receipt tax payments as tax credits in deriving the corporate income tax during the years ended December 31, 2020 and 2019.

The CNMI legislation provides for income tax rebates with descending progressive percentages ranging from 90% to 50% on taxable income, after taking into account the utilization of the tax credit of business gross receipt tax.

8 Dividends

	2020	2019
	US$'000	*US$'000*
Final dividend in respect of previous year, declared and paid during the year — US0.28 cent per share	**1,010**	—

The Board does not recommend the payment of any dividend for the year ended December 31, 2020.

9 (Loss)/earnings per share

(a) Basic

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(9,320)**	10,100
Weighted average number of ordinary share in issue *(thousands)*	**360,000**	326,712
Basic (loss)/earnings per share *(US cents)*	**(2.6)**	3.1

(b) Diluted

Diluted (loss)/earnings per share presented is the same as the basic (loss)/earnings per share as there was no potentially dilutive ordinary share outstanding as at December 31, 2020 (2019: Nil).

10 Trade receivables

	2020	2019
	US$'000	*US$'000*
Trade receivables from third parties *(Note (a))*	**15,866**	2,912
Less: provision for impairment *(Note (a))*	**(615)**	(216)
	15,251	2,696
Amounts due from related parties *(Note (b))*	**—**	855
Total trade receivables, net	**15,251**	3,551

Notes:

(a) Trade receivables from third parties

The majority of the Group's sales are with credit terms of 30 days from the invoice date. The ageing analysis of the trade receivables based on invoice date were as follows:

	2020	2019
	US$'000	*US$'000*
Within 30 days	**1,106**	2,108
31 to 60 days	**1,046**	419
61 to 90 days	**1,024**	33
Over 90 days	**12,690**	352
	15,866	2,912

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. As at December 31, 2020, provisions of US$615,000 (2019: US$216,000) were made against the gross amounts of trade receivables.

(b) Amounts due from related parties

The amounts due from related parties were unsecured, interest-free and with credit terms of 30 days.

The ageing analysis of amounts due from related parties based on invoice date were as follows:

	2020	2019
	US$'000	*US$'000*
Within 30 days	—	782
31 to 60 days	—	6
61 to 90 days	—	18
Over 90 days	—	49
	—	855

The maximum exposure to credit risk as at December 31, 2020 was the carrying value mentioned above. The Group did not hold any collateral as security. The carrying amounts of trade receivables approximate their fair values and are denominated in US$.

11 Trade and other payables

	2020	2019
	US$'000	*US$'000*
Trade payables		
— to third parties *(Note (a))*	**1,087**	3,162
— to related parties *(Note (b))*	**36**	79
Total trade payables	**1,123**	3,241
Accruals and other payables		
— Accrued staff salaries	**668**	716
— Other taxes payable	**1,540**	1,088
— Accruals for listing expenses	**—**	282
— Other accruals and payables	**4,148**	3,759
— Deferred government grants *(Note (c))*	**4,527**	—
	10,883	5,845
	12,006	9,086

Notes:

(a) Trade payables to third parties

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

	2020	2019
	US$'000	*US$'000*
Within 30 days	**527**	2,564
31 to 60 days	**166**	502
61 to 90 days	**193**	76
Over 90 days	**201**	20
	1,087	3,162

(b) Amounts due to related parties

As at December 31, 2020, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

The ageing analysis of amounts due to related parties based on invoice date were are follows:

	2020	2019
	US$'000	*US$'000*
Within 30 days	**36**	35
31 to 60 days	**—**	44
	36	79

(c) Deferred government grants

During the year ended December 31, 2020, the Group has successfully applied a loan of US$4,527,000 under the Paycheck Protection Program ("**PPP loan**"). The PPP loan is unsecured, interest-bearing of 1% per annum and repayable within two years from the draw down date. Generally, the PPP loan will be forgiven as long as it is used to cover payroll costs, mortgage interest, rent, and utility costs of the Group and employee and compensation levels of the Group are maintained over certain measurement period after the loan has been granted. As at December 31, 2020, the Group has yet to apply for the forgiveness of the loan. Hence such loan was recognized as deferred government grant in the consolidated statement of financial position.

12 Events after the reporting period

On February 19, 2021, Asia Pacific Hotels, Inc. (Guam) ("**APHI Guam**"), a wholly-owned subsidiary of the Company, has entered into two construction contracts with an independent third party contractor in relation to the renovation and upgrade works of Fiesta Resort Guam owned by APHI Guam. The total amount of the contract sums is approximately US$12,254,000 and the renovation and upgrade works are expected to be substantially completed in the second half of 2021. Details of the construction contracts in respect of Fiesta Resort Guam have been set out in the Company's announcement dated February 19, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The outbreak of COVID-19 massively affected the global tourism industry in year 2020. Since late January 2020, a series of precautionary and control measures (including but not limited to travel bans) have been implemented by government authorities around the world due to the pandemic.

In early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from the Group's key tourist origin markets. Coupled with the dampened global travel sentiment and the slowdown of the global economy, there has been a slump in demand for leisure travelling.

Towards the end of March 2020, the local governments of the CNMI and Guam have both implemented various measures to curb the spread of the coronavirus (including restrictions on opening hours and business capacity), all of which have significant repercussions on the Group's business operations. In late March 2020, in order to mitigate the financial impacts of the pandemic, the Group's management decided to temporary suspend the business operations of some of the Group's hotels, luxury travel retail boutiques and destination services, and implemented various cost-saving measures. Nevertheless, Kanoa Resort remained in operation as it was selected by the CNMI Homeland Security and Emergency Management to provide its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon their arrival in Saipan since March 2020.

Despite the various challenges throughout 2020 due to the COVID-19 outbreak, the Group managed to resume some of its business operations in the last quarter, including the restaurant of Fiesta Resort Saipan and some of our luxury travel retail boutiques in Guam, Saipan and Hawaii. Century Hotel was also reopened in the third quarter of the Year to serve business travelers.

Since the COVID-19 outbreak in late January 2020, the governments of the CNMI and Guam have worked closely with federal and local officials as well as private sector partners to address the threat of the coronavirus. As at the date of this report, Guam recorded 8,773 confirmed cases (deaths: 135) whilst Saipan recorded 159 confirmed cases (deaths: 2) of COVID-19. The relatively low number of confirmed cases and death rate compared to some other countries demonstrated the effectiveness of the actions taken by the local governments to mitigate the spread of the coronavirus across the islands.

Revenue and operating loss

For the Year, the Group recorded a revenue of US$40.8 million, representing a decrease of US$57.9 million or 58.7% from US$98.7 million in the preceding year. The total revenue from our Saipan and Guam businesses dropped by over 50% and over 60%, respectively. The significant decrease in revenue was mainly due to the material impact of the COVID-19 pandemic across all of our business segments, namely (1) the Hotels & Resorts Segment (operation of hotels and resorts, food and beverage services in Saipan and Guam), (2) the Luxury Travel Retail Segment (retail of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii), and (3) the Destination Services Segment (provision of destination services in Saipan).

Due to the impact of the COVID-19 pandemic, the operating loss of the Group for the Year was approximately US$12.2 million, representing a decrease in operating profit of US$22.8 million when compared to the operating profit of US$10.6 million in the preceding year. The amount of operating loss as aforesaid has taken into account a number of non-cash items, including but not limited to (1) recognition of depreciation and amortization expenses and impairment losses relating to the Group's operating assets of approximately US$8.7 million and US$3.5 million respectively; (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US$2.9 million as a result of the renovation works currently being carried out to Fiesta Resort Guam; (3) additional provision for obsolete inventories amounting to US$0.6 million under the Luxury Travel Retail Segment; and (4) additional provision for impairment of trade receivables amounting to US$0.4 million under the Hotels and Resorts Segment.

Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

Segmental Review

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 73.8%, 24.8% and 1.4% of the Group's total revenue for the Year respectively.

Hotels & Resorts Segment

During the Year, revenue generated from the Hotels & Resorts Segment was approximately US$30.1 million, representing a decrease of US$34.6 million or 53.5% when compared to the preceding year. The substantial decrease in revenue was mainly due to (1) the temporary closure of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel since late March 2020 due to the COVID-19 pandemic, and (2) the extended period of closure of Fiesta Resort Guam since May 2020 for the purpose of carrying out renovation and upgrade works. With the return of some business travelers, Century Hotel has resumed operation in August 2020.

During the period of temporary closure of our hotels, the Group's management implemented numerous cost-saving measures to mitigate the negative financial impact of the pandemic. For the Year, the operating costs of the Hotels & Resorts Segment was reduced by US$23.3 million as compared to the preceding year. However, as a result of the renovation works of Fiesta Resort Guam, there was a one-time write-off of US$2.9 million of the Group's property, plant and equipment. Additional provision for impairment of trade receivables amounting to US$0.4 million further hit the segment margin. As certain assets were non-profit generating during the Year due to the temporary closure of three out of the Group's four hotels, the depreciation and amortization expenses for the Year under the Hotels & Resorts Segment was approximately US$5.1 million.

During the Year, the segmental margin of the Hotels & Resorts Segment decreased from 19.6% to 4.3%, which fluctuated in the same manner as the revenue.

Fiesta Resort Saipan

The Group entered into the hotel management agreement in respect of Fiesta Resort Saipan with IHC Hotel Limited ("**Hotel Manager**") (a subsidiary of InterContinental Hotels Group PLC (the "**InterContinental Hotels Group**")) in May 2020. Currently, Fiesta Resort Saipan is expected to be rebranded as "Crowne Plaza Resort Saipan" in the second half of 2021. Leveraging on the InterContinental Hotels Group's extensive hotel management experiences, membership program and loyalty customer base, as well as the brand recognition of the "Crowne Plaza" brand, particularly among mainland Chinese, Japanese and South Korean tourists, collaboration with the InterContinental Hotels Group could elevate Fiesta Resort Saipan from the more competitive mid-market segment to the up-market segment to capture sophisticated tourists from the Group's major target customer markets.

Kanoa Resort

Back in February 2020, when COVID-19 cases were surging around the world, the CNMI was the first U.S. territory to locally take proactive action and preventive measures against the coronavirus. In March 2020, Kanoa Resort was selected by the CNMI Homeland Security and Emergency Management to provide its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon their arrival in Saipan. The Group has received various fees during the Year for the services that have been provided to the government of the CNMI under the emergency contract. The Group is honored to be able to support the local government in the fight against COVID-19.

In December 2020, the Group entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager. Under the terms of the hotel management agreement, Kanoa Resort is currently expected to be rebranded as "voco Resort Saipan" by mid-2022.

Fiesta Resort Guam

The renovation and upgrade works under the asset rejuvenation plan of Fiesta Resort Guam (including room refurbishment, landscaping upgrade and hospitality enhancement) commenced in 2020. In order to carry out the renovation and upgrade works, the business operations of Fiesta Resort Guam have been suspended from May 2020 until completion of the relevant works. After completion of the renovation and upgrade works, the accommodation capacity of the hotel will be increased from 318 to 321 rooms and suites, and the hotel will be placed in the high-end market position, capable of commanding a higher revenue and reaching out to a wider and more premium customer base. We are on track to rebrand our Fiesta Resort Guam to "Crowne Plaza Resort Guam" by the second half of 2021.

Luxury Travel Retail Segment

During the Year, revenue from the Luxury Travel Retail Segment was US$10.1 million, representing a decrease of 66.7% as compared to US$30.3 million in the preceding year. The substantial decrease was mainly due to the downturn of the global tourism market and the implementation of various precautionary measures imposed by the local governments (especially the limitation of business hours in Saipan and the limitation of business capacity in Guam).

In order to alleviate the negative financial and operational impacts of COVID-19 on the Luxury Travel Retail Segment, the Group's management decided to temporarily close all boutiques in Saipan, Guam and Hawaii with effect from late March 2020. Certain luxury travel retail boutiques located in Saipan, Guam and Hawaii have temporarily resumed their operations in various periods during the Year.

The temporary closure of our luxury travel retail boutiques has effectively reduced the operating costs of the Luxury Travel Retail Segment. In addition, the Group's management re-negotiated rental terms with the landlords in view of the pandemic and achieved more favorable terms for the Group's luxury travel retail boutiques in Saipan, Guam and Hawaii. The Group's management also exercised care in inventory management, which substantially reduced the Group's inventory level.

For the Year, the operating costs of the Luxury Travel Retail Segment was reduced by approximately US$6.4 million as compared to the preceding year. However, in applying HKAS36 *Impairment of Assets*, US$2.8 million impairment on the Group's property, plant and equipment was recognized and the additional provision for obsolete inventories amounting to US$0.6 million hit the segmental results of the Year. Depreciation and amortization expenses for the Year under the Luxury Travel Retail Segment was approximately U$3.3 million.

Destination Services Segment

While Saipan maintained a relatively low number of confirmed cases of COVID-19, the local government continued to impose surveillance measures at airports and the island remained closed to tourists due to the potential risks brought by inbound travelers, testing and quarantine requirements. With the sharp decline in the number of tourists in Saipan and the temporary closure of the Group's main hotels and resorts in Saipan, the Group's management decided to temporarily suspend the operation of our destination services with effect from late March 2020. As at the date of this report, we have not resumed operation of our destination services in Saipan.

During the Year, revenue from the Destination Services Segment was US$0.6 million, representing a decrease of US$3.1 million as compared with the preceding year. The segment loss of US$1.5 million is mainly attributable to (1) the application of HKAS36 *Impairment of Assets* and, in turn, the recognition of US$0.8 million impairment on the property, plant and equipment of the Group's excursion tours; and (2) the charging of depreciation expenses for the Year amounting to US$0.2 million.

Acquisition and Investments

During the Year, the Group agreed and finalized the terms of the lease agreement ("**Lease Agreement**") for renewal of the existing lease of the hotel premises of Fiesta Resort Saipan with the Department of Public Lands of the CNMI. As mentioned in the Announcement of the Company issued on April 23, 2020, the Lease Agreement is for a term of 40 years commencing from July 1, 2021 which, subject to approval by the CNMI legislature, may be extended for up to 15 years.

Upon implementation of HKFRS 16 *Leases* effective from 1 January 2019, the entering into the Lease Agreement by the Group as a lessee was required to be recognized as a right-of-use asset acquired by the Group. During the Year, the Group recognized a right-of-use asset of approximately US$3.9 million.

Save as aforesaid, the Group did not make any material acquisitions and disposals during the Year.

The Group had no significant investments held during the Year.

Subsequent Events

The impact of the COVID-19 pandemic continues in 2021, and the various precautionary measures imposed by government authorities around the world (including but not limited to travel bans, mandatory quarantine requirements and restrictions on business capacity) are still in place. As a result, some of our business operations remain temporarily suspended to reduce operational costs and to comply with local regulations. As at the date of this report, Century Hotel, the restaurant of Fiesta Resort Saipan, four of our luxury travel retail boutiques in Guam and three of our luxury travel retail boutiques in Hawaii have resumed business operations.

Subsequent to the end of the Year, we continued to focus our efforts on the renovation and upgrade of our hotels and took action to expedite our asset rejuvenation plan to take advantage of the period of business suspension due to the COVID-19 pandemic.

For Fiesta Resort Guam, further to the construction contract entered into in November 2020 in respect of guestroom renovation works, we entered into two further construction contracts in respect of the renovation and upgrade works for the public spaces and the exterior of Fiesta Resort Guam. The renovation works under the construction contracts form part of the renovation and upgrade works under our asset rejuvenation plan and the rebranding works under the hotel management agreement entered into with our Hotel Manager. The relevant works are currently on schedule to be completed in the second half of 2021. Subject to the confirmation of the Hotel Manager, Fiesta Resort Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" soon after completion of the renovation and upgrade works.

For Fiesta Resort Saipan, we are also in the course of expediting the renovation and upgrade works to be carried out under our asset rejuvenation plan and the rebranding works under the new hotel management agreement entered into with our Hotel Manager. The relevant works are currently in progress and are expected to be completed in the second half of 2021. Subject to the confirmation of the Hotel Manager, Fiesta Resort Saipan will be rebranded as "Crowne Plaza Resort Saipan" soon after the completion of the relevant works.

In 2021, Kanoa Resort continues to support the local government by providing its hotel rooms, facilities and meal services to persons subject to mandatory quarantine requirements. As at the date of this report, the Group and the relevant authority are in the course of finalizing the documentation for the extension of the emergency contract.

While the duration of the COVID-19 outbreak remains uncertain, the Board will continue to closely monitor market conditions, changes in the global travel sentiment and market behavior, and will make timely adjustments to the Group's strategies.

Future Plans and Market Prospects

The tourism industry was one of the world's greatest markets before the strike of the COVID-19 pandemic. With a series of precautionary and control measures (including but not limited to travel bans and mandatory quarantine requirements) implemented by local governments, the pandemic has brought cross-border holidays to a halt in 2020. Under the pandemic, many tourism-related businesses, including hotels and resorts, retail and tour operations were hit painfully. Nevertheless, the Group's management believes that, with the gradual roll-out of vaccination programs worldwide, the global travel sentiment will recover as soon as the spread of the virus is effectively controlled (especially in the Group's key tourist origin markets) and travel bans are lifted.

Saipan and Guam are both viewed as "safe" destinations to global travelers during the pandemic due to the low number of confirmed cases and the low death rates. Our management believes that, when routine flight schedules resume, short-haul and medium-haul trips will be in more demand initially than long-haul vacations, which puts Saipan and Guam at an advantageous position in our key tourist origin markets. Our management also believes that the pent-up thirst for adventure and the lure of beaches and mountains will make it irresistible for people to venture overseas quickly after the pandemic. The Group is prepared and hopes to take advantage of the potentially strong rebound of the leisure travel market.

Hotels & Resorts Segment

While COVID-19 continues to weigh heavily on the hospitality industry in early 2021 and the operation of some of our hotels and resorts continues to be suspended, the Group's management took advantage of the downturn to accelerate the renovation and upgrade works under the asset rejuvenation plan for Fiesta Resort Guam and Fiesta Resort Saipan. Currently, our management expects that the renovation and upgrade works for the two hotels will be completed one after the other in the second half of 2021. Subject to the confirmation of the Hotel Manager, Fiesta Resort Guam and Fiesta Resort Saipan will be respectively re-branded as "Crowne Plaza Resort Guam" and "Crowne Plaza Resort Saipan" soon after completion of the relevant works. Being the newest hotels in town, the Group's management believes that these two hotels will be uniquely positioned to capture the pent-up travel demand from the date of grand opening.

As at the date of this report, Kanoa Resort continues to support the local government and we are finalizing the documentation for the extension of the emergency contract with the CNMI Homeland Security and Emergency Management. As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager and the renovation works of Kanoa Resort will commence after the termination or expiry of the emergency contract. The business operations of Kanoa Resort will be temporarily suspended during the first phase of the renovation works and Kanoa Resort will be rebranded as "voco Resort Saipan" soon thereafter.

The capital expenditure to be incurred in the coming financial year in respect of the renovation and upgrade works of Fiesta Resort Guam, Fiesta Resort Saipan and Kanoa Resort will be funded partly by the proceeds from Listing, partly by the Group's internal resources and partly by external financing.

With the InterContinental Hotels Group managing Fiesta Resort Guam, Fiesta Resort Saipan and Kanoa Resort after their respective rebranding as "Crowne Plaza Resort Guam", "Crowne Plaza Resort Saipan" and "voco Resort Saipan", the directors of the Company ("**Directors**") expect that this will create positive synergy among the three major hotels of the Group.

Luxury Travel Retail Segment

Despite the uncertainties caused by the COVID-19 pandemic, the Group's management continues to seek for expansion opportunities to bolster the Group's revenue source when the market resumes after the pandemic is effectively controlled, especially in the Group's key tourist origin markets. For Guam, the Group's management believes that the segmental profitability could be improved with an expansion into stronger retail spaces. For Saipan, the Group's management believes that enhancing customers' overall shopping experience is the key to maximizing sales level. For the expansion of the Group's footprint in Hawaii, the Group's management is seeking to identify stronger retail spaces with good adjacencies and reasonable rental conditions for new retail stores.

The Group's management will continue to implement cost-saving measures to alleviate the negative financial impact resulting from COVID-19.

Other plans and prospects

Last but not least, in order to maintain the Group's long-term growth and for the best interests of the Company and its Shareholders as a whole, the Group's management will actively explore possible merger and acquisition opportunities. The Group's management believes that the downturn of the macro-economy as a result of the COVID-19 outbreak would increase the availability of favorable merger and acquisition deals in the market.

Investor Relations and Communications

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

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

Contingent Liabilities

As at December 31, 2020 and 2019, the Group did not have any material contingent liabilities.

Liquidity, Financial Resources and Capital Structure

Despite the fact that 2020 was a challenging year for the global tourism industry, the financial position of the Group remained strong during the Year. The Group generally finances its operations with internally generated cash flows and proceeds from the Listing. As at December 31, 2020, the total amount of cash and bank deposits of the Group was approximately US$38.2 million, representing a decrease of approximately US$18.4 million as compared to that as at December 31, 2019. During the Year, the Group had utilized US$11.1 million for the asset rejuvenation plan. As at December 31, 2020 and 2019, our Group has zero interest-bearing bank borrowings.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of respective years and multiplied by 100%. As at December 31, 2020, the gearing ratio of the Group was not applicable as the Group did not have any interest-bearing liabilities (2019: Nil). The capital structure of the Group only consists of equity attributable to owners of the Company as shown in the consolidated statement of financial position.

Charge on Assets

As at December 31, 2020 and 2019, the Group had aggregate banking facilities of US$11.0 million and US$11.0 million respectively, which was secured by certain buildings and investment properties owned by the Group. As all of our banking facilities were unutilized, unutilized facilities at the end of each reporting year amounted to US$11.0 million and US$11.0 million respectively.

Foreign Exchange Risk Management

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in US Dollars. Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2020, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are also primarily denominated in US Dollars. Therefore, the Group's foreign exchange risk is insignificant.

Employees and Emolument Policy

As at December 31, 2020, the Group had a total of 206 (2019: 746) full-time employees, including 149 employed in Saipan, 44 employed in Guam, 9 employed in Hawaii and 4 employed in Hong Kong. The substantial decrease in headcount was mainly due to the layoff of staff as part of the cost-saving measures during the temporary closure of our hotels and resorts. The mass layoff of staff was a hard decision that had to be made during the challenging Year. As a responsible employer, the Group continues to value our employees and continues to strive to provide an excellent working environment. We have complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to US$13.6 million (2019: US$25.0 million). On April 9, 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group.

Purchase, Sale or Redemption of Listed Securities of the Company

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

USE OF PROCEEDS FROM LISTING

The net proceeds from the Company's Listing was US$39.4 million (equivalent to HK$307.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 and supplemented by the 2019 Annual Report published on April 17, 2020. During the Year, US$13.7 million of the net proceeds from the Listing had been utilized. Currently, the Group holds the unutilized net proceeds as deposit with creditworthy banks with no recent history of default. Further details on the use of proceeds from the Listing will be disclosed in the annual report of the Company for the Year.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its code of corporate governance.

During the Year and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code.

AUDIT COMMITTEE

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

The consolidated financial statements of the Group for the Year have been reviewed with no disagreement by the Audit Committee. The Audit Committee is of the view that these financial statements has been prepared in accordance with the applicable accounting standards, the Listing Rules, statutory provisions, and sufficient disclosures have been made.

THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

No interim dividend (2019: Nil) was declared during the Year. The Board has resolved not to recommend the payment of a final dividend for the Year (2019: US0.28 cent per share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from May 28, 2021 to June 2, 2021 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on May 27, 2021.

PUBLIC FLOAT

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the Year containing the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Company (www.saileisuregroup.com) and the Stock Exchange (www.hkex.com.hk) in due course.

On behalf of the Board
S.A.I. Leisure Group Company Limited
Henry Tan
Vice Chairman, Executive Director
and Chief Executive Officer

Hong Kong, March 30, 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.