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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

GROUP FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2021	2020
	US\$'000	US\$'000
Revenue	19,801	40,784
Operating loss	(6,247)	(12,194)
Loss attributable to owners of the Company	(5,952)	(9,320)
Profit margin (ratio of loss attributable to owners of the Company to revenue)	-30.1%	-22.9%
Basic loss per share (<i>US cents</i>)	(1.7)	(2.6)

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, 2021 (the “**Year**”).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Revenue	3	19,801	40,784
Cost of inventories sold	5	(3,301)	(7,933)
Food and beverage costs	5	(617)	(1,237)
Employee benefit expenses	5	(6,083)	(13,571)
Utilities, repairs and maintenance	5	(2,104)	(3,697)
Other gains, net	4	55	70
Operating and other expenses	5	(13,998)	(26,610)
Operating loss		(6,247)	(12,194)
Finance income	6	33	298
Finance costs	6	(977)	(883)
Finance costs, net	6	(944)	(585)
Loss before income tax		(7,191)	(12,779)
Income tax credit	7	1,051	2,017
Loss for the year		(6,140)	(10,762)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		(29)	1
Total comprehensive loss for the year		(6,169)	(10,761)
Loss attributable to:			
Owners of the Company		(5,952)	(9,320)
Non-controlling interests		(188)	(1,442)
		(6,140)	(10,762)
Total comprehensive loss attributable to:			
Owners of the Company		(5,981)	(9,319)
Non-controlling interests		(188)	(1,442)
		(6,169)	(10,761)
Loss per share attributable to owners of the Company			
— Basic and diluted (US cents)	8	(1.7)	(2.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		102,300	54,719
Investment properties		2,133	2,228
Intangible assets		108	229
Deferred income tax assets		4,341	3,290
Deposits		839	934
Financial asset at fair value through other comprehensive income		—	508
		109,721	61,908
Current assets			
Inventories		2,562	4,657
Trade receivables	9	12,951	15,251
Deposits, prepayments and other receivables		955	1,106
Amounts due from related parties		1	4
Income tax recoverable		2,561	2,561
Cash and cash equivalents		8,077	38,164
		27,107	61,743
Total assets		136,828	123,651
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		4,836	4,840
Retained earnings		15,519	21,471
		85,944	91,900
Non-controlling interests		(273)	(85)
Total equity		85,671	91,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

	<i>Note</i>	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		18,760	17,585
Current liabilities			
Trade and other payables	<i>10</i>	13,705	12,006
Bank borrowing		17,000	—
Lease liabilities		1,539	2,003
Amounts due to related parties		116	213
Income tax payable		37	29
		32,397	14,251
Total liabilities		51,157	31,836
Total equity and liabilities		136,828	123,651

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

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

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

This consolidated financial statements are presented in United States dollars ("**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**") issued by the Hong Kong Institute of Certified Public Accountants 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.

(a) Going Concern

During the year ended December 31, 2021, the Group reported a net loss of approximately US\$6,140,000. As at the same date, the Group's current liabilities exceeded its current assets by US\$5,290,000. Included in its current liabilities was an interest-bearing bank borrowing of US\$17,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but are repayable on demand, and its cash and cash equivalents amounted to approximately US\$8,077,000. Moreover, the Group had capital commitment of US\$13,150,000 as at December 31, 2021 in relation to the ongoing renovation and upgrade works of hotels in Guam and Saipan ("**Renovation**"), settlement of which are expected to be made in the coming twelve months from December 31, 2021.

The Group is pursuing to complete the Renovation on time and within the expected budget. In order to finance the costs for the Renovation, the Group has obtained a facility from a bank of US\$43,000,000 and has drawn down US\$17,000,000 up to December 31, 2021. The Group expects to further draw down the unutilized facility in the coming twelve months for the capital commitment and the other uncommitted costs for the Renovation. Pursuant to the terms and conditions of the facility with the bank, the Group will be subject to certain undertaking clauses including but not limited to financial covenants and completion of the Renovation at an agreed date. Based on the latest construction progress and management's forecast on the Group's operating results in the next twelve months from the date of the consolidated statement of financial position, certain of these undertaking clauses may be breached in the coming twelve months, which may allow the bank to request for immediate repayment of all outstanding bank borrowing drawn under the facility.

Furthermore, the Group's hotels will be reopened upon substantial completion of the Renovation, yet the resumption of the hotel operations and the resulting performance is highly dependent on the development of COVID-19 pandemic, including but not limited to the precautionary measures of different countries, vaccination rates and public health care protocols and procedures by the authorities.

The above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient resources to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group will closely monitor its compliance with the undertaking clauses of the banking facility. When there is any breach of undertaking clauses, the Group will actively negotiate with the bank and obtain waiver for the relevant undertaking clauses to avoid the bank from requesting for immediate repayment of any outstanding bank borrowing drawn under the facility such that the bank borrowing will continue to be available to the Group. In particular, the bank acknowledged the Group’s latest expected renovation completion date to be in the second half of 2022. Based on the latest communications between management and the bank, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment. Furthermore, the banking facility of US\$43,000,000 is fully secured by the Group’s hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track records and relationship the Group has with the bank;
- (ii) The Group is aiming at the schedule to substantially complete the Renovation for reopening of the hotels in the second half of 2022. Riding on the continuous ramping up of vaccination rates, policymakers of Saipan, Guam as well as the key tourist origin markets, including but not limited to Japan and South Korea, adopt the policy of “co-living with the virus” and make efforts to scrap restrictions and target to reopen borders and revitalize the tourism industry. In particular, Saipan and South Korea had successfully established the travel bubble agreement in July 2021, which also laid the foundation for the negotiation of the travel bubble agreement between Saipan and Japan. In addition, Japan and South Korea have relaxed the quarantine requirement for travelers returning home from the U.S. territories (including Guam and Saipan) in March 2022. As such, the Group is cautiously optimistic that the leisure travel market and the Group’s business operations will recover as soon as the pandemic is contained and these hotels are expected to generate operating cash flows to the Group;
- (iii) The Group continues its efforts to generate sufficient cash flows from operating activities by implementing measures in expediting collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group; and

- (iv) The Group will consider obtaining additional sources of funding as and when needed to enhance the financial position and support the operations of the Group.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2021. In the opinion of the Directors, in light of the above, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due in the coming twelve months from December 31, 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Whether the Group will be able to continue as a going concern would depend on the Group's ability to generate adequate financing and operating cash flows through:

- (i) successful in negotiating with the bank and obtain the waiver when there is a breach of any of the undertaking clauses under the bank facility to avoid the bank from requesting for immediate repayment of any outstanding bank borrowing drawn under the facility so that the bank borrowing will continue be available to the Group;
- (ii) successful in completing the Renovation on time and within the expected budget for reopening of the hotels in the second half of 2022 and generate operating cash flows to the Group, amid the development of COVID-19 pandemic might continue to impact the timing of resumption and resulting performance of the hotels;
- (iii) successful in implementing measures to generate sufficient cash flows from operating activities by expediting collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group; and
- (iv) obtaining additional sources of funding as and when needed to enhance the financial position and support the operations of the Group.

Should the Group be unable to achieve the above plans and measures so as to continue as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(b) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2021:

Amendments to HKFRS 9, Interest Rate Benchmark Reform — Phase 2
 HKAS 39, HKFRS 7,
 HKFRS 4 and HKFRS 16

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

(c) New and amended standards, improvements and interpretation not yet adopted by the Group

Certain new accounting standards and amendments to standards, improvements and interpretation have been published that are not mandatory for the reporting period ended December 31, 2021 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

		Effective for annual periods beginning on or after
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	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
Amendments to HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1 and Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023

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

(d) Early adoption of amendment to standard during the year ended December 31, 2021 where early adoption is permitted

The following amendment 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:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
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Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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 June 30, 2022; 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\$698,000 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, 2021 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 loss. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other gains, 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, 2021 are as follows:

	Year ended December 31, 2021				Total US\$'000
	Hotels and resorts US\$'000	Luxury travel retail US\$'000	Destination services US\$'000	Unallocated US\$'000	
Revenue					
Revenue from external customers	<u>15,234</u>	<u>4,371</u>	<u>196</u>	<u>—</u>	<u>19,801</u>
Segment results	(3,421)	(979)	(186)	(1,716)	(6,302)
Other gains, net					55
Finance income					33
Finance costs					<u>(977)</u>
Loss before income tax					(7,191)
Income tax credit					<u>1,051</u>
Loss for the year					<u>(6,140)</u>
Loss for the year includes:					
Depreciation for property, plant and equipment	3,284	957	22	57	4,320
Depreciation for investment properties	97	—	—	—	97
Amortization for intangible assets	101	20	—	—	121
Provision for obsolete inventory	—	344	—	—	344
Provision for impairment of trade receivables	115	—	—	—	115
Write-off of property, plant and equipment and investment properties	1,341	—	—	—	1,341
Impairment loss on property, plant and equipment	<u>—</u>	<u>68</u>	<u>—</u>	<u>—</u>	<u>68</u>
Capital expenditure	<u>51,097</u>	<u>2,086</u>	<u>142</u>	<u>2</u>	<u>53,327</u>

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 <i>US\$'000</i>	Luxury travel retail <i>US\$'000</i>	Destination services <i>US\$'000</i>	Unallocated <i>US\$'000</i>	Total <i>US\$'000</i>
Revenue					
Total segment revenue	30,123	10,120	587	—	40,830
Inter-segment revenue	(46)	—	—	—	(46)
Revenue from external customers	<u>30,077</u>	<u>10,120</u>	<u>587</u>	<u>—</u>	<u>40,784</u>
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					<u>(10,762)</u>
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	<u>17,323</u>	<u>607</u>	<u>16</u>	<u>3</u>	<u>17,949</u>

Revenue between segments were 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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Saipan	15,943	26,803
Guam	2,426	12,718
Hawaii	1,432	1,263
	<u>19,801</u>	<u>40,784</u>

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

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Saipan	39,553	14,763
Guam	62,110	41,014
Hawaii	2,860	1,327
Hong Kong	18	72
	<u>104,541</u>	<u>57,176</u>

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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Customer A	<u>14,543</u>	<u>16,447</u>

All other customers individually accounted for less than 10% of the Group's revenue for the year ended December 31, 2021 and 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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Room rentals	12,294	24,894
Food and beverage	2,802	4,681
Retailing		
— Luxury and leisure clothing and accessories	4,371	10,120
— Souvenirs and others	196	432
Operating excursion tour and rendering of land arrangement services	—	155
Other hospitality (<i>Note (i)</i>)	39	183
Space rental income (<i>Note (ii)</i>)	99	319
	<u>19,801</u>	<u>40,784</u>

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.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Timing of revenue recognition		
At point in time	7,408	15,526
Over time	12,294	24,939
	<u>19,702</u>	<u>40,465</u>
Revenue from other sources:		
Rental income	<u>99</u>	<u>319</u>
	<u>19,801</u>	<u>40,784</u>

4 Other gains, net

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Net exchange losses	(8)	(8)
Gains on disposal of property, plant and equipment	86	78
Gains on early termination of lease contracts	2	—
Loss on disposal of financial asset at fair value through other comprehensive income	<u>(25)</u>	<u>—</u>
	<u>55</u>	<u>70</u>

5 Expenses by nature

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Cost of inventories sold	3,301	7,933
Food and beverage costs	617	1,237
Employee benefit expenses	6,083	13,571
Utilities, repairs and maintenance	2,104	3,697
Short-term leases expenses*	224	183
Variable lease payment expenses*	306	249
Rent concessions from lessors*	(698)	(952)
Depreciation on property, plant and equipment*	4,320	8,426
Depreciation on investment properties*	97	113
Amortization on intangible assets*	121	136
Other taxes and licenses*	1,154	2,337
Supplies and tools*	361	982
Shared-services expenses*	192	204
Laundry expenses*	174	339
Temporary labour costs*	160	218
Commission expenses*	41	644
Insurance expenses*	887	1,040
Provision for impairment of trade receivables*	115	399
Provision for obsolete inventory*	344	578
Write-off of property, plant and equipment and investment properties*	1,341	2,938
Impairment loss on property, plant and equipment*	68	3,500
Auditors' remuneration*		
— Audit services	169	218
— Non-audit services	64	13
Hotel management fees*	229	612
Other miscellaneous expenses* (<i>Note (a)</i>)	4,329	4,433
	26,103	53,048
Representing:		
Cost of inventories sold	3,301	7,933
Food and beverage costs	617	1,237
Employee benefit expenses	6,083	13,571
Utilities, repairs and maintenance	2,104	3,697
Operating and other expenses	13,998	26,610
	26,103	53,048

* 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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Finance income:		
— Interest income from bank deposits	33	275
— Interest income from financial asset at fair value through other comprehensive income	—	23
	<u>33</u>	<u>298</u>
Finance costs:		
— Interest expenses on lease liabilities	(970)	(852)
— Interest expenses on Paycheck Protection Program loans	(7)	(31)
— Interest expenses on bank borrowing	(94)	—
	<u>(1,071)</u>	<u>(883)</u>
Less: Amounts capitalized	94	—
	<u>(977)</u>	<u>(883)</u>
Finance costs, net	<u>(944)</u>	<u>(585)</u>

7 Income tax credit

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, 2021 (2020: Nil).

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Deferred tax		
Origination and reversal of temporary differences	<u>1,051</u>	<u>2,017</u>

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, 2021 and 2020.

8 Loss per share

(a) *Basic*

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

	2021	2020
Loss attributable to owners of the Company (US\$'000)	(5,952)	(9,320)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>360,000</u>	<u>360,000</u>
Basic loss per share (<i>US cents</i>)	<u><u>(1.7)</u></u>	<u><u>(2.6)</u></u>

(b) *Diluted*

Diluted loss per share presented is the same as the basic loss per share as there was no potentially dilutive ordinary share outstanding as at December 31, 2021 (2020: Nil).

9 Trade receivables

	2021 US\$'000	2020 US\$'000
Trade receivables	13,657	15,866
Less: provision for impairment	<u>(706)</u>	<u>(615)</u>
Total trade receivables, net	<u><u>12,951</u></u>	<u><u>15,251</u></u>

(a) Trade receivables

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

	2021 US\$'000	2020 US\$'000
Within 30 days	1,823	1,106
31 to 60 days	1,702	1,046
61 to 90 days	1,297	1,024
Over 90 days	<u>8,835</u>	<u>12,690</u>
	<u><u>13,657</u></u>	<u><u>15,866</u></u>

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, 2021, provisions of US\$706,000 (2020: US\$615,000) were made against the gross amounts of trade receivables.

The maximum exposure to credit risk as at December 31, 2021 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\$.

10 Trade and other payables

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade payables		
— to third parties (<i>Note (a)</i>)	1,105	1,087
— to related parties (<i>Note (b)</i>)	50	36
	<hr/>	<hr/>
Total trade payables	1,155	1,123
	<hr/>	<hr/>
Accruals and other payables		
— Accrued staff salaries	434	668
— Other taxes payable	2,149	1,540
— Other accruals and payables	4,828	4,148
— Payables for purchase of property, plant and equipment	2,877	—
— Deferred government grants (<i>Note (c)</i>)	2,262	4,527
	<hr/>	<hr/>
	12,550	10,883
	<hr/>	<hr/>
	13,705	12,006
	<hr/> <hr/>	<hr/> <hr/>

(a) Trade payables to third parties

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 30 days	642	527
31 to 60 days	71	166
61 to 90 days	62	193
Over 90 days	330	201
	<hr/>	<hr/>
	1,105	1,087
	<hr/> <hr/>	<hr/> <hr/>

(b) Amounts due to related parties

As at December 31, 2021, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Within 30 days	1	36
31 to 60 days	4	—
61 to 90 days	22	—
Over 90 days	23	—
	<hr/> 50 <hr/>	<hr/> 36 <hr/>

(c) Deferred government grants

During the year ended December 31, 2021, the Group has successfully applied for a loan of US\$760,000 under the second round of the Paycheck Protection Program (“**PPP loan**”) and the total amount of PPP loan outstanding as at December 31, 2021 is US\$2,262,000 (2020: US\$4,527,000). The PPP loan is unsecured, interest-bearing of 1% per annum and repayable within five 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. The employee and compensation levels of the Group are maintained over certain measurement period after the loan has been granted.

For the year ended December 31, 2021, PPP loan of US\$2,875,000 (2020: Nil) has been forgiven by the government and recognized in the consolidated statement of comprehensive income over the year ended December 31, 2021 to match them with the costs that they are intended to compensate. As at December 31, 2021, the Group has applied for the forgiveness of US\$2,262,000 of PPP loan. The total amount of US\$2,262,000 (2020: US\$4,527,000) PPP loan outstanding was recognized as deferred government grant in the consolidated statement of financial position.

11 Dividends

The Board does not recommend the payment of any dividend for the year ended December 31, 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

The continuous evolution of the COVID-19 pathogen has sent all countries on a roller coaster ride in 2021. With more and more scientific research affirming the safety and effectiveness of the vaccines, vaccination rate seems to be the most critical factor in determining a country's decision to lift or at least relax various precautionary measures imposed by government authorities (including but not limited to travel bans and mandatory quarantine requirements). To achieve a sustained re-opening of borders, countries around the world have put in much effort to accelerate the pace of vaccination. In the third quarter of 2021, whilst the impact of the deadly Delta variant gradually dissipated, a highly contagious Omicron variant swept through the globe, causing a surge of cases. Having said that, the vaccination speed of the Group's key tourist origin markets, including but not limited to South Korea, Japan and mainland China kept accelerating and the return of tourists to the CNMI and Guam is auspicious. As of the date of this announcement, the double-jabbed vaccination rates of South Korea and mainland China have both reached over 85%; whilst Japan has reached approximately 80%. Particularly, South Korea has further accelerated the rollout of the third vaccine doses and even started giving out a fourth jab to high-risk groups since February 2022.

The local governments of Guam and the CNMI continue to work closely with the federal government, local officials as well as private sector partners to mitigate the impact of the pandemic and to set the stage for reopening tourism to Guam and the CNMI. In July 2021, Guam lifted the mandatory quarantine requirement for travelers if they are fully vaccinated and can show a negative PCR test or antigen test taken within 72 hours of arrival. Individuals previously infected by COVID-19 but have recovered within the three months preceding their arrival are also exempted from mandatory quarantine. The relaxation of restrictions goes much further in promoting Guam as a viable destination to travelers. Besides, with the high local vaccination rate, Guam has further removed various social distancing restrictions that have been in place for more than a year, liberating Guam from the long battle with the coronavirus.

During the Year, the CNMI Government has launched the tourism resumption investment plan ("TRIP") to entice airlines to come back to Saipan and to attract tourists from different tourist origin markets. Through the stringent measures implemented at the start of the outbreak and a willing and cooperative community, the CNMI was one of the places with the highest vaccination rate globally. This achievement has made the region a sought-after destination for willing travelers who seek for a vacation and laid the foundation for the establishment of the first ever travel bubble agreement with the South Korean Government in late 2021. The travel bubble provided that fully vaccinated Koreans will not be subject to quarantine when they return home from Saipan, and Saipan remains the only place that the travel bubble was kept intact.

During the Year, Kanoa Resort remained in operation and continued to support the local government authorities by providing its hotel rooms, facilities and meal services to persons subject to mandatory quarantine requirements upon arrival in Saipan. Century Hotel and all of the Group's luxury travel retail boutiques in Guam and Hawaii have also been open for business. As for Fiesta Resort Guam (to be rebranded as "Crowne Plaza Resort Guam") ("CP Guam") and Fiesta Resort & Spa Saipan (to be rebranded as "Crowne Plaza Resort Saipan") ("CP Saipan"), the Group has continued to focus its efforts on the renovation and upgrade works under the asset rejuvenation plan in order to take advantage of the period of business suspension due to the COVID-19 pandemic.

Effective cost-saving measures are still in place throughout the Year to mitigate the financial impacts of the pandemic on the Group. The Group's management decided to continue to suspend the business operations of the Group's luxury travel retail boutiques and destination services in Saipan for the majority of the Year until there is visibility on the return of tourists.

Revenue and operating loss

For the Year, the Group recorded a revenue of US\$19.8 million, representing a decrease of US\$21.0 million or 51.5% from US\$40.8 million in the preceding year. The total revenue from the Group's Saipan and Guam businesses dropped by 40.7% and 81.1%, respectively. The significant decrease in revenue was mainly due to the continuous impact of the COVID-19 pandemic across the Group's business segments and the full-year closure of CP Guam and CP Saipan for the purpose of carrying out renovation and upgrade works, which led to a significant decrease in revenue derived from (1) hotel room rentals and food and beverage in Saipan and Guam; (2) retail of luxury clothing and accessories in Saipan, Guam and Hawaii; and (3) provision of destination services in Saipan.

Counting on effective cost-saving measures, the operating loss of the Group for the Year was US\$6.3 million, representing a decrease in loss of US\$5.9 million when compared with an operating loss of US\$12.2 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 relating to the Group's assets of approximately US\$4.5 million; and (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US\$1.3 million as a result of the renovation works currently being carried out to CP Saipan and certain modification works carried out in Kanoa Resort.

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 76.8%, 22.2% and 1.0% of the Group's total revenue for the Year respectively.

Hotels & Resorts Segment

For the Year, revenue generated from the Hotels & Resorts Segment was approximately US\$15.2 million, representing a decrease of US\$14.9 million or 49.5% when compared to the preceding year. The substantial decrease in revenue was mainly due to the full-year closure of CP Guam and CP Saipan for the purpose of carrying out renovation and upgrade works. Kanoa Resort continues to support the local government authorities by providing its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon arrival in Saipan. With the return of some business travelers, Century Hotel has also remained in operation throughout the Year.

The Group's management continued to implement effective cost-saving measures to mitigate the negative financial impact of the pandemic. For the Year, the negative segmental operating margin of the Hotels & Resorts Segment was mainly due to (1) the fact that certain assets were non-profit generating during the Year due to the closure of two out of the Group's four hotels and hence the depreciation and amortization expenses (non-cash items) for the Year under the Hotels & Resorts Segment was approximately US\$3.5 million; and (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US\$1.3 million as a result of the renovation works currently being carried out to CP Saipan and certain modification works carried out in Kanoa Resort.

CP Saipan

In January 2021, the Group's management took action to expedite the asset rejuvenation plan of CP Saipan to take advantage of the period of business suspension due to the COVID-19 pandemic. In order to carry out the renovation and upgrade works (including room refurbishment, landscaping upgrade and hospitality enhancement), the business operations of CP Saipan have been suspended from February 2021 until completion of the relevant works. After completion of the renovation and upgrade works, 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.

The Directors are of the view that the progress of the renovation and upgrade works of CP Saipan was satisfactory despite the fact that the Group experienced delays during the pandemic. The Delta variant of the coronavirus swept through many countries within the Association of South East Asian Nations (“**ASEAN**”) and caused suspension in the operation of the guestroom furniture manufacturer in Vietnam. Apart from that, the global supply chain shortage also aggravated the delay in delivery for all major furniture, fixtures and renovation materials from suppliers in Vietnam and mainland U.S.. As of the date of this announcement, the Group's management expects that CP Saipan will be rebranded and reopened as “Crowne Plaza Resort Saipan” in the second to third quarter of 2022, subject to final confirmation by IHC Hotel Limited (“**Hotel Manager**”) (a subsidiary of InterContinental Hotels Group PLC (“**InterContinental Hotels Group**”)).

Kanoa Resort

During the year, Kanoa Resort continued to assist the CNMI Homeland Security and Emergency Management by providing 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 local government of the CNMI under the emergency contract. The Group is honored to be able to offer its continuous support to the local government in the fight against COVID-19.

CP Guam

The renovation and upgrade works under the asset rejuvenation plan of CP Guam (including room refurbishment, landscaping upgrade and hospitality enhancement) continued throughout the Year. In order to carry out the renovation and upgrade works, the business operations of CP Guam have been suspended since May 2020. 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.

The progress of the renovation and upgrade works of CP Guam experienced delays during the pandemic due to the following reasons: (1) some cultural artifacts and human remains were uncovered when removing the original swimming pool in August 2021, leading to a temporary halt in the renovation and upgrade works of that area; (2) labor shortage in Guam; (3) suspension in the operation of the guestroom furniture manufacturer in Vietnam due to the impact of the Delta variant of the coronavirus in ASEAN countries as mentioned above; and (4) the global supply chain shortage aggravated the delay in delivery for all major furniture, fixtures and renovation materials from suppliers in Vietnam and mainland U.S.. In January 2022, the State Historic Preservation Office of Guam and the contracted archaeological firm have completed their work on the discoveries and the renovation and upgrade works have resumed. As of the date of this announcement, the Group's management expects that CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third quarter of 2022, subject to final confirmation by the Hotel Manager.

Luxury Travel Retail Segment

For the Year, revenue from the Luxury Travel Retail Segment was US\$4.4 million, representing a decrease of US\$5.7 million or 56.4% as compared to the preceding year. The substantial decrease was mainly due to the fact that the global tourism market has yet to recover and the temporary closure of some of the Group's luxury travel retail boutiques in Saipan.

Throughout the Year, the Group's luxury travel retail boutiques in Guam have resumed their operations with limited business hours (by appointment or during weekends); whilst the luxury travel retail boutiques in Hawaii operated as normal. The Group's management decided to continue suspending the business operations of some of the luxury travel retail boutiques in Saipan. The partial resumption/temporary closure of our luxury travel retail boutiques have effectively cut down the operating costs and thus alleviated the negative financial and operational impacts of the pandemic on the Luxury Travel Retail Segment. Furthermore, 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. Last but not least, the Group's management continued to exercise due care in inventory management, which substantially reduced the Group's inventory level.

For the Year, the negative segmental margin of the Luxury Travel Retail Segment was substantially reduced by approximately US\$6.7 million or 87.0%. Depreciation and amortization expenses (non-cash items) for 2021 under the Luxury Travel Retail Segment was approximately US\$1.0 million.

Destination Services Segment

For the Year, revenue from the Destination Services Segment was US\$0.2 million, representing a decrease of US\$0.4 million as compared to the preceding year. The segmental loss of US\$0.2 million was mainly due to the fact that the tourism market has yet to recover and thus the business operations of the Group's destination services segment remained temporarily closed during the Year. As of the date of this announcement, the Group has not resumed the operations of its destination services in Saipan.

Acquisitions and Investments

During the Year, Asia Pacific Hotels, Inc. (Guam) ("**APHI Guam**"), an indirectly wholly-owned subsidiary of the Company has entered into two construction contracts ("**Guam Construction Contracts**") with GPPC, Inc. ("**Contractor**"), an independent third party, as prime contractor in respect of the renovation and upgrade works for the public spaces and exterior of CP Guam.

As mentioned in the Announcement of the Company issued on February 19, 2021 and supplemented by the Circular of the Company published on June 21, 2021, the renovation works under the Guam Construction Contracts form part of the renovation and upgrade works of CP Guam under the Group's asset rejuvenation plan and the rebranding works under the hotel management agreement with the Hotel Manager in order to prepare CP Guam to be reopened under the new brand name "Crowne Plaza Resort Guam". The management of the Group currently expects that CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third quarter of 2022, subject to final confirmation by the Hotel Manager.

Furthermore, during the Year, Asia Pacific Hotels, Inc. (“**APHI Saipan**”), an indirectly wholly-owned subsidiary of the Company, has entered into two construction contracts (“**Saipan Construction Contracts**”) with the Contractor as prime contractor in respect of the renovation and upgrade works for the guestrooms, public spaces and exterior of CP Saipan.

As mentioned in the Announcement of the Company issued on May 28, 2021 and supplemented by the Circular of the Company published on June 21, 2021, the renovation works under the Saipan Construction Contracts form part of the renovation and upgrade works of CP Saipan under the Group’s asset rejuvenation plan and the rebranding works under the hotel management agreement with the Hotel Manager in order to prepare CP Saipan to be reopened under the new brand name “Crowne Plaza Resort Saipan”. The management of the Group currently expects that CP Saipan will be rebranded and reopened as “Crowne Plaza Resort Saipan” in the second to third quarter of 2022, subject to the final confirmation of the Hotel Manager.

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.

Events Subsequent to the End of the Financial Year

Since the beginning of 2022, the highly contagious Omicron variant of the coronavirus has continued to sweep through the globe, resulting in a surge of cases in most economies. Riding on the high vaccination rates in most countries, policymakers began to take a different approach after the lapse of two-years battling with COVID-19. Many started to adopt the policy of “co-living with the virus” and decided to re-open borders and revitalize the tourism industry.

Subsequent to the end of the Year, the Group continued to focus its efforts on completing the renovation and upgrade works of CP Guam and CP Saipan. On the other hand, Century Hotel remains open for business and 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 of the date of this announcement, the Group and the relevant government authority are finalizing the documentation for the extension of the emergency contract in respect of Kanoa Resort until June 11, 2022.

All luxury travel retail boutiques in Guam remain in operation with limited business hours (by appointment or during weekends); whilst the luxury travel retail boutiques in Hawaii are operating as normal. As of the date of this announcement, luxury travel retail boutiques and destination services in Saipan remain temporarily closed until there is visibility on the return of tourists.

Subsequent to the end of the Year, the CNMI has surpassed its target number of population for vaccination. With approximately 100% of the CNMI's eligible population fully vaccinated, the local government of the CNMI decided to update entry protocols. With effect from February 8, 2022, all travelers entering the CNMI will no longer be tested on arrival. All travelers are required to complete a mandatory health declaration form and upload their vaccination card. Unvaccinated travelers are required to quarantine at home for at least five days and get tested five days after arrival at a Community-Based Testing site. Fully vaccinated travelers are required to get tested if they develop symptoms. As of March 28, 2022, the CNMI recorded a total of 11,022 cases and 33 deaths.

Meanwhile, Guam has lifted various precautionary measures (including but not limited to travel bans and mandatory quarantine requirements) since July 2021 and approximately 95% of Guam's eligible population was fully vaccinated as of the date of this announcement. As of March 28, 2022, Guam recorded a total of 47,122 cases and 342 deaths.

In March 2022, both Japan and South Korea have updated their quarantine exemption guidelines, which provided that fully vaccinated travelers will be exempted from quarantine requirements when they return home from overseas.

Future Plans and Market Prospects

Even though the Delta wave of the pandemic subsided towards the end of 2021, the pathogen has no sign of being eradicated. Rather, it has evolved and became the highly contagious Omicron variant since the start of 2022. Although the new variant is more transmissible than the Delta variant, it causes milder symptoms. It swept through the world in early 2022 and brought massive waves of infections in different countries. Meanwhile, while cases have been spiking in many parts of ASEAN, most countries have not ramped up tougher local restrictions to the same extent as before. So far, the Omicron wave appears to be putting less strain on the health infrastructure of various countries than previous waves, giving the policymakers more confidence to resume or accelerate the opening up of borders.

Starting from 2022, authorities across the globe has further emphasized their respective vaccination drives, particularly in relation to the booster shot. With vaccination rates continuing to ramp up, countries are making efforts to scrap restrictions and target to reopen borders and revitalize the tourism industry. It appears that more and more travelers and countries (including but not limited to Europe, the U.S. and ASEAN) have recognized the endemic nature of COVID-19 and are conformable with "co-living with the virus". Furthermore, the availability of COVID-19 treatments is also in the spotlight, and as a result, for the first time in more than two years, there is a glimmer of hope (at least cautious optimism) the world that could be liberated from the long battle with COVID-19.

The travel bubble agreement between Saipan and South Korea is ongoing, and Saipan remains the only place that the travel bubble is kept intact. In February 2022, six low-cost carriers in South Korea have all submitted a letter of intent to provide direct flights to Saipan from all over South Korea. Together with Asiana Airlines, there are a total of seven airlines wanting to provide/providing direct flights to Saipan from South Korea. As such, the CNMI may expect to see increasing Korean tourists on the islands. On the other hand, the U.S. was removed from Japan's list of designated countries/regions since December 23, 2021, and hence returnees to Japan from U.S. territories such as the CNMI and Guam are no longer subject to home quarantine and other measures with effect from March 1, 2022. This facilitates the TRIP task force to work on the travel bubble program with Japan and to entice airlines to provide direct flights to Saipan. All these efforts support the revival of the CNMI's tourism industry with a sustainable increase of tourists.

In view of the above, certain industry expert expects that the global tourism industry is on its way to a long-term and sustainable recovery, and the Group's management is cautiously optimistic that the Group's business operations will fully resume in the foreseeable future.

Hotels & Resorts Segment

The renovation and upgrade works of CP Guam and CP Saipan under the asset rejuvenation plan and the rebranding works under the hotel management agreements with the Hotel Manager are ongoing. The Group's management expects that CP Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" and CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third quarter of 2022, subject to final confirmation by the Hotel Manager. Being the newest hotels in town, the Group's management is confident that these two hotels will be uniquely positioned to capture the pent-up travel demand from the date of grand opening.

As of the date of this announcement, Kanoa Resort continues to support the local government to fight against COVID-19 and the Group is prepared to extend the emergency contract with the CNMI Homeland Security and Emergency Management subject to the need of the community. As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager. Kanoa Resort will be rebranded as "voco Resort Saipan" soon after the completion of the renovation and rebranding works which will be carried out at the end of the emergency contract.

The capital expenditure to be incurred in respect of the renovation and upgrade works of CP Guam, CP 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 CP Guam, CP Saipan and Kanoa Resort after their respective rebranding as “Crowne Plaza Resort Guam”, “Crowne Plaza Resort Saipan” and “voco Resort Saipan”, the Group’s management expects that this will create positive synergy among the three major hotels of the Group.

The Directors believe that the adoption of the policy of “co-living with the virus” by various policymakers and the high vaccination rates will likely accelerate the opening up of borders and revitalize business and leisure travels sooner or later. Despite the fact that the development of the pandemic remains unpredictable, the Group’s management 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 business strategies.

Luxury Travel Retail Segment

In anticipation of the resumption of tourism markets as a result of “co-living with the virus”, especially in the Group’s key tourist origin markets, the Group’s management will seek for expansion opportunities to bolster the Group’s revenue source. 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 spaces with good adjacencies and reasonable rental conditions for new retail stores.

Other plans and prospects

To maintain the Group’s long-term growth and for the best interests of the Company and the Shareholders as a whole, the Group’s management continues to 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 Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews, subject to COVID-19 restrictions. 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 the 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, 2021 and 2020, the Group did not have any material contingent liabilities.

Liquidity, Financial Resources and Capital Structure

During the Year, the Group continues to focus its efforts on the renovation and upgrade works of CP Guam and CP Saipan under the asset rejuvenation plan. Despite the fact that most of the business operations of the Group were suspended due to the COVID-19 pandemic, the financial position of the Group remained strong. The Group generally finances its operations with internally generated cash flows, proceeds from the Listing and external financing. As at December 31, 2021, the total amount of cash and bank deposits of the Group was approximately US\$8.1 million, representing a decrease of approximately US\$30.1 million as compared to that as at December 31, 2020 mainly due to capital expenditure for the asset rejuvenation plan of the Group during the Year.

During the Year, the Group took out a new banking facility of US\$43.0 million to finance the asset rejuvenation plan of the Group. As at December 31, 2021, US\$17.0 million of the new banking facility was drawn to finance the renovation and upgrade works currently being carried out to CP Guam and CP Saipan. During the Year, the total capital expenditure for the asset rejuvenation plan was approximately US\$48.1 million.

As at December 31, 2021, the Group had US\$17.0 million interest-bearing bank borrowing (As at December 31, 2020: Nil), and the undrawn portion of the relevant banking facility amounted to US\$26.0 million. Based on the scheduled repayments set out in the relevant banking facility letter, the maturity profile of the banking facility is spread over a period of five years, with approximately US\$0.4 million repayable in the second year, approximately US\$1.7 million repayable in each of the third and the fourth year, and approximately US\$13.2 million repayable within the fifth year.

The Directors are of the view that the Group has adequate liquidity to meet its expected working capital requirements and capital expenditure requirements in the coming twelve months from December 31, 2021.

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, 2021, the gearing ratio of the Group was 19.8% (2020: Nil).

The capital structure of the Group consists of debt net of cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital, share premium and various reserves as shown in the consolidated statement of financial position. There has been no changes in the share capital structure of the Company since the Listing Date.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximize the return to the Shareholders through the optimization of the debt and equity balance. The Directors review the capital structure regularly, taking into account the cost of capital and the risk associated with the capital.

Charge on Assets

As at December 31, 2021 and 2020, the Group had aggregate banking facilities of US\$43.0 million and approximately US\$11.0 million respectively, which was secured by certain buildings and investment properties owned by the Group. As disclosed above, the Group took out a new banking facility of US\$43.0 million to finance the asset rejuvenation plan of the Group during the Year. The new banking facility replaced the previous banking facilities of approximately US\$11.0 million. Unutilized facilities at the end of December 31, 2021 and 2020 amounted to US\$26.0 million and approximately US\$11.0 million, respectively.

Foreign Exchange Risk Management

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in United States dollars (“**US Dollars**”). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2021, 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, 2021, the Group had a total of 196 (2020: 206) full-time employees, including 128 employed in Saipan, 53 employed in Guam, 10 employed in Hawaii and 5 employed in Hong Kong. The reduced headcount was part of the cost-saving measures during the temporary closure of the Group's hotels and resorts as well as luxury travel retail boutiques. As a responsible employer, the Group continues to value employees and continues to strive to provide an excellent working environment. The Group has 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\$6.1 million (2020: US\$13.6 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 and the 2020 Annual Report published on April 16, 2021. During the Year, US\$17.2 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.

EXTRACT OF INDEPENDENT AUDITOR’S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended December 31, 2021.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance

Material uncertainty related to going concern

We draw attention to Note 2.1.1 to the consolidated financial statements, which states that the Group reported a net loss of approximately US\$6,140,000 during the year ended December 31, 2021. As at the same date, the Group’s current liabilities exceeded its current assets by US\$5,290,000. Included in its current liabilities was an interest-bearing bank borrowing of US\$17,000,000 drawn from a banking facility of US\$43,000,000 with

scheduled repayments starting from September 2023 but are repayable on demand, and its cash and cash equivalents amounted to approximately US\$8,077,000. Moreover, the Group had capital commitment of US\$13,150,000 as at December 31, 2021 in relation to the ongoing renovation and upgrade works of hotels in Guam and Saipan, settlement of which are expected to be made in the coming twelve months from December 31, 2021. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 this announcement.

FINAL DIVIDEND

No interim dividend (2020: Nil) was declared during the Year. The Board has resolved not to recommend the payment of a final dividend for the Year (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' right to attend and vote at the upcoming annual general meeting of the Company intended to be held on June 2, 2022 ("AGM"), the register of members of the Company will be closed from May 30, 2022 to June 2, 2022 (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, 2022.

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 29, 2022

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.