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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)

INSIDE INFORMATION

HOTEL MANAGEMENT AGREEMENT WITH THE INTERCONTINENTAL HOTELS GROUP IN RELATION TO THE GUAM HOTEL

This announcement is made pursuant to (1) Rules 13.09 and 13.10 of the Listing Rules, and (2) the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board is pleased to announce that on September 10, 2019 (after trading hours of the Stock Exchange), APHI Guam (an indirectly wholly-owned subsidiary of the Company) and IHC Hotel (an indirectly wholly-owned subsidiary of InterContinental Hotels Group PLC (the shares of which are dual listed on the New York Stock Exchange and London Stock Exchange), being an independent third party and acting as the Manager and the Licensor) entered into the Hotel Management Agreement in respect of the Guam Hotel (currently known as “Fiesta Resort Guam”), pursuant to which IHC Hotel agreed to, among others, (1) provide the Hotel Management Services and manage and operate the Guam Hotel from the Commencement Date (currently expected to be before October 31, 2019) during the term of the Hotel Management Agreement, (2) provide the Guam Hotel with access to the worldwide reservation system and loyalty programs administered and operated by the Manager (or its affiliates) from the Commencement Date, and (3) implement the Pre-Opening Program and Rebranding Program on behalf of APHI Guam necessary to operationally prepare the Guam Hotel to be rebranded and operated as “Crowne Plaza Guam” under a license granted by the Licensor from the Rebranding Date (currently expected to be before October 1, 2021). In consideration for the Manager’s Hotel Management Services and the license granted by the Licensor, IHC Hotel (or its affiliates) will receive the Fees and Contributions prescribed in the Hotel Management Agreement.

The Group currently owns, operates and self-manages the Guam Hotel. Beginning from the Commencement Date, the Manager will be responsible for the day-to-day management and operations of the Guam Hotel and will procure that the Guam Hotel is operated with the benefit of access to the worldwide reservation system and loyalty programs administered and operated by the Manager (or its affiliates). Under the Hotel Management Agreement, APhi Guam will retain its rights as the hotel owner over certain key managerial, financial and strategic decisions.

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 Japanese, mainland U.S. and U.S. military guests (the key tourist make-up of Guam), the Directors expect that the commercial benefits of the Hotel Management Agreement will, in the long term, outweigh the Fees and Contributions payable to IHC Hotel (or its affiliates), enlarge the Guam Hotel's revenue base and eventually enhance its room rate commanding power and profitability. The Directors also consider that the Hotel Management Agreement is in line with the Group's elaborate business strategies to increase the average room rates and achieve stronger yield growth in its Hotels & Resorts Sector as disclosed in the Prospectus.

The Asset Rejuvenation Plan of the Guam Hotel is currently being undertaken in the manner described in the Prospectus, except that (1) the estimated total capital expenditure is now projected to be approximately US\$25.6 million (an approximately US\$5.2 million increase) and, (2) the Asset Rejuvenation Plan is now expected to take 18 to 24 months (an additional period of 6 months), primarily due to additional investments in landscaping upgrade, food and beverage infrastructure and function facilities. The Asset Rejuvenation Plan will form part of the Pre-Opening Program and Rebranding Program to ensure that the Guam Hotel adheres to the brand standards of the "Crowne Plaza" brand. The additional estimated capital expenditure will be funded by the Group's internal resources and there is no change to the use of proceeds from the Global Offering as disclosed in the Prospectus.

Nevertheless, based on the Directors' current estimation, the revenue and profit attributed to the Guam Hotel in the forthcoming financial year ending December 31, 2020 is expected to decrease due to the combination of (1) the estimated capital expenditure of the Asset Rejuvenation Plan, Pre-Opening Program and Rebranding Program, (2) impacts on the occupancy rate and average room rate during the course of the Asset Rejuvenation Plan, Pre-Opening Program and Rebranding Program, (3) the Fees and Contributions payable to IHC Hotel (or its affiliates) under the Hotel Management Agreement, and (4) the ramp-up period required under the Manager's management and operation. **Shareholders and potential investors should exercise cautions when dealing in the securities of the Company.**

THE HOTEL MANAGEMENT AGREEMENT

On September 10, 2019 (after trading hours of the Stock Exchange), APhi Guam (an indirectly wholly-owned subsidiary of the Company) and IHC Hotel (an indirectly wholly-owned subsidiary of InterContinental Hotels Group PLC (the shares of which are listed on the New York Stock Exchange and London Stock Exchange), being an independent third party and acting as the Manager and the Licensor) entered into the Hotel Management Agreement in respect of the Guam Hotel (currently known as "Fiesta Resorts Guam").

The Guam Hotel

The Guam Hotel is currently known as "Fiesta Resort Guam", which is a 17,567 sq.m. facility strategically located at the Tumon Bay tourism center in Guam. As of the date of this announcement, the Guam Hotel comprises 318 rooms and has been undergoing renovation and fit-out works pursuant to the Asset Rejuvenation Plan as disclosed in the Prospectus. The Guam Hotel is operated on leasehold interests and the land lease for Fiesta Resort Guam is due to expire on September 30, 2053. The Guam Hotel will be rebranded and operated as "Crowne Plaza Guam" from the Rebranding Date (currently expected to be before October 1, 2021).

Date

September 10, 2019

Parties

- (a) APhi Guam
- (b) IHC Hotel (as the Manager and as the Licensor)

Term

The Hotel Management Agreement is for an initial term of 25 years with 2 options to renew 5 additional years each, subject to early termination as referred to in “Termination” below.

Principal terms

IHC Hotel agreed to, among others, (1) provide the Hotel Management Services to manage and operate Guam Hotel from the Commencement Date (currently expected to be before October 31, 2019) during the term of the Hotel Management Agreement, (2) provide the Guam Hotel with access to the worldwide reservation system and loyalty programs administered and operated by the Manager (or its affiliates) from the Commencement Date, and (3) implement the Pre-Opening Program and Rebranding Program on behalf of APHI Guam necessary to operationally prepare the Guam Hotel to be rebranded and operated as “Crowne Plaza Guam” under a license granted by the Licensor from the Rebranding Date (currently expected to be before October 1, 2021). In consideration for the Manager’s Hotel Management Services and the license granted by the Licensor, IHC Hotel (or its affiliates) will receive the Fees and Contributions referred to in “Fees and Contributions” below.

The Group currently owns, operates and self-manages the Guam Hotel. Beginning from the Commencement Date, the Manager will be responsible for the day-to-day management and operations of the Guam Hotel and will procure that the Guam Hotel is operated with the benefit of access to the worldwide reservation system and loyalty programs administered and operated by the Manager (or its affiliates). Under the Hotel Management Agreement, APHI Guam will retain its rights as the hotel owner over certain key managerial, financial and strategic decisions.

Hotel Management Services

The Manager will manage and operate the Guam Hotel in accordance with the “Crowne Plaza” brand standards as prescribed under the Hotel Management Agreement. In providing the Hotel Management Services, the Manager will have authority to, among others:-

- (1) supervise all personnel matters including recruitment, ongoing management and termination of all employees of the Guam Hotel,
- (2) purchase furniture, fixtures and equipment and performance of maintenance and overseeing the works relating to any hotel refurbishments, renovations and capital replacement,
- (3) select suppliers and purchase all food, beverage and other operating supplies and other items used in the operation of the Guam Hotel,

- (4) undertake budget and accounting matters,
- (5) advertise and promote the Guam Hotel and coordinate with the international sales and marketing programs of other “Crowne Plaza” brand hotels,
- (6) supervise legal actions and retain professional advisers for matters which relate to the operations of the Guam Hotel,
- (7) determine all policies and procedures relating to the operation of the Guam Hotel, including those related to pricing, use of rooms, marketing, sales, personnel and compensation, and
- (8) enter into and perform any contracts in the name of APhi Guam unless (i) the contract is not terminable at will or without cause on reasonable notice, or (ii) has an aggregate cost in excess of US\$250,000, in which case an approval from APhi Guam is required.

Loyalty programs and reservation system

The Guam Hotel will be given access to and operation of the worldwide reservation system and loyalty programs such as “IHG Rewards Club” administered and operated by the Manager (or its affiliates) from the Commencement Date until the Rebranding Date under its current name “Fiesta Resort Guam”. Upon the Guam Hotel’s re-launch as “Crowne Plaza Guam”, the Guam Hotel will continue to be operated with the benefit of access to and operation of such worldwide reservation system and loyalty programs.

Rebranding and license to use the “Crowne Plaza” brand

The Manager will implement a Pre-Opening Program and Rebranding Program on behalf of APhi Guam necessary to operationally prepare the Guam Hotel to rebrand and operate as “Crowne Plaza Guam”, including without limitation, the coordination of marketing collateral and relevant sales and marketing programs to promote the Guam Hotel and its re-branding launch as “Crowne Plaza Guam”. The Guam Hotel, which is currently known as “Fiesta Resort Guam” will be branded and operated as a “Crowne Plaza” hotel and renamed as “Crowne Plaza Guam” on and from the Rebranding Date under a non-exclusive, non-assignable, non-transferable license granted by the Licensor to use of certain trademarks including the use of, among others, the brand name and trademarks of “Crowne Plaza”, “IHG Concerto” and “IHG Rewards Club” by APhi Guam at the Guam Hotel.

Fees and Contributions

Under the Hotel Management Agreement, the following annual Fees and Contributions are payable to IHC Hotel (or its affiliates) for the Manager's Hotel Management Services and the license granted by the Licensor:-

- (1) **License Fee.** a fixed percentage of the adjusted gross revenue of the Guam Hotel,
- (2) **Incentive Management Fee.** a percentage (variable based on the gross operating profit margin of the Guam Hotel during the relevant year) of the adjusted gross operating profit of Guam Hotel,
- (3) **System Fund Contribution.** (i) a fixed percentage of the gross room revenue of the Guam Hotel as contribution to the InterContinental Hotels Group's global marketing and reservation system initiatives, and (ii) a fixed percentage of all revenues received by the Guam Hotel through the InterContinental Hotels Group's global frequency marketing program (which is currently known as the "IHG Rewards Club"), and
- (4) **Technical Service Fee.** a fixed service fee of US\$115,000 payable in 2 equal instalments upon (i) the execution of the Hotel Management Agreement, and (ii) the 1st anniversary of the Hotel Management Agreement in consideration for the technical consultancy services provided by the Manager in relation to the Asset Rejuvenation Plan.

When used in this announcement, "**adjusted gross revenue**" means, in general, the gross revenue of the Guam Hotel without taking into account certain ancillary income such as gratuities, taxes and customer credit in the relevant year, and "**adjusted gross operating profit**" means, in general, the gross operating profit of the Guam Hotel less the license fees payable to IHC Hotel (or its affiliates) in the relevant year.

The Fees and Contributions were determined by the parties on an arm's length basis with reference to prevailing industry practice for comparable properties, hotel brands and management service providers. Based on the current estimates of the Directors, the annual Fees and Contributions payable to the IHC Hotel (or its affiliates) under the Hotel Management Agreements are expected to be no more than 8% of the Guam Hotel's revenue in any of the next 5 financial years.

Finance and administrative matters

Prior to each financial year, the Manager shall prepare and submit to APhi Guam the budgets (including without limitation (1) estimates of gross revenues, operating costs, gross operating profit, license fees and incentive management fees, (2) cash flow projection on a monthly basis, (3) budgets for capital expenditure, and (4) marketing and human resources plan) and strategic and business plans for APhi Guam's approval.

The Manager and APhi Guam will also participate in monthly meetings to review and discuss the financial performance, marketing plans, capital replacement and forthcoming contracts to be entered in the name of APhi Guam. The Group will also be given access to the accounting system of the Guam Hotel.

In addition, APhi Guam is required to contribute a prescribed percentage of the Guam Hotel's adjusted gross revenue as capital replacement fund as capital expenditure for, among other things, fixtures, furniture, equipment and the operational requirements of the Guam Hotel.

Termination

The Hotel Management Agreement may be terminated in the following circumstances, among others:-

- (1) by either party with immediate effect if the other party is declared bankrupt or commits an act of bankruptcy or becomes insolvent,
- (2) by either party by giving a 30 days' written notice if the other party commits a material breach of the Hotel Management Agreement, or
- (3) by APhi Guam (exercisable after the later of Rebranding Date and the 3rd anniversary of the Commencement Date) if for 2 two consecutive years the gross operating profit and the RevPAR of the Guam Hotel did not meet a prescribed threshold.

The Directors (including independent non-executive Directors), having reviewed and approved the Hotel Management Agreement and based on their industry experiences, are of the view that the terms and conditions (including the Fees and Contributions) of the Hotel Management Agreement are fair and reasonable, on normal commercial terms and generally in line with the industry practice for comparable properties, hotel brands and management service providers.

INFORMATION OF THE APhi GUAM AND THE GROUP

APhi Guam is an operating subsidiary of the Group which currently owns, operates and self-manages the Guam Hotel and is the holder of the leasehold interests in the Guam Hotel. It is an indirectly wholly-owned subsidiary of the Company.

The Group is a leisure tourism group in Saipan, Guam and Hawaii, each a U.S. territory. The Group's business can be segmented into the (1) hotels and resorts, (2) luxury travel retail, and (3) destination services.

INFORMATION OF THE MANAGER AND THE LICENSOR

The Manager and the Licensor, IHC Hotel Limited, is an indirectly wholly-owned subsidiary of InterContinental Hotels Group PLC, the shares of which are dual listed on the New York Stock Exchange (stock code: IHG) and London Stock Exchange (stock code: IHG). InterContinental Hotels Group PLC is a British multinational hospitality company which owns hospitality brands including, among others, “InterContinental® Hotels and Resorts”, “Crowne Plaza®”, “Hotel Indigo®”, “Holiday Inn®” and “Holiday Inn Express®”. Each of IHC Hotel and the InterContinental Hotels Group PLC is an independent third party of the Company within the meanings of the Listing Rules.

REASONS AND BENEFITS FOR ENTERING INTO THE HOTEL MANAGEMENT AGREEMENT

The Group has been principally engaged in the operations of hotels and resorts in Saipan and Guam. It has been the Group’s elaborate business strategies on future business development to maintain and further the market leadership of the Group’s hotels and resorts by, in particular, increasing its average room rates and achieving a stronger yield growth. The Guam Hotel, currently known as “Fiesta Resort Guam”, operated at an average occupancy rate of 86.2% during the 3 years ended December 31, 2018, which was below the Group’s other hotels and resorts, and recorded an RGI of 0.96 for the financial year ended December 31, 2018, which indicated a sub-par RevPAR compared to the Group’s main peers in Guam. The competition in Guam’s hospitality industry is particularly intensified with the presence of a number of internationally chained competitors, which constantly gives the Guam Hotel pricing pressure. As such, brand recognition usually translates to a larger customer base and higher room rate commanding power in Guam.

The Prospectus has disclosed that as the Group upgrades its accommodation and service offering in Saipan and Guam under the Asset Rejuvenation Plan, the Group may explore collaboration opportunities with international hospitality chains, which may take place in various manners such as access to their membership program and their loyalty customer base, obtaining marketing and operational support, use of their booking engines and reservation systems or a rebranding exercise. The Directors consider that the Hotel Management Agreement presents an attractive business opportunity in furtherance of the Group’s operating performance, market position and future business development.

Leveraging on the InterContinental Hotels Group’s extensive hotel management experiences, membership program and loyalty customer base, as well as the recognition of the “Crowne Plaza” brand, particularly among Japanese, mainland U.S. and U.S. military guests (the key tourist make-up of Guam), the Directors expect that the commercial benefits of the Hotel Management Agreement will, in the long term, outweigh the Fees and Contributions payable

to IHC Hotel (or its affiliates), enlarge the Guam Hotel's revenue base and eventually enhance its room rate commanding power and profitability. The Directors also consider that the Hotel Management Agreement is in line with the Group's elaborate business strategies as disclosed in the Prospectus.

Taking into account the overall benefits and the market landscape of the Guam Hotel, the Directors (including the independent non-executive Directors) are of the view that (a) the operation and management of the Guam Hotel by the Manager and its eventual rebranding as "Crowne Plaza Guam" will position the Guam Hotel at a high-end market position capable of commanding a higher revenue and reaching out to a wider and more premium customer base, (b) the terms of the Hotel Management Agreement are fair and reasonable and are generally in line with the industry practice for comparable properties, hotel brands and management service providers, (c) the arrangements contemplated under the Hotel Management Agreement are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

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

ASSET REJUVENATION PLAN

The Asset Rejuvenation Plan of the Guam Hotel is currently being undertaken in the manner described in the Prospectus, except that (1) the estimated total capital expenditure is now projected to be approximately US\$25.6 million (an approximately US\$5.2 million increase) and, (2) the Asset Rejuvenation Plan is now expected to take 18 to 24 months (an additional period of 6 months), primarily due to additional investments in landscaping upgrade, food and beverage infrastructure and function facilities. The Asset Rejuvenation Plan will form part of the Pre-Opening Program and Rebranding Program to ensure that the Guam Hotel adheres to the brand standards of the "Crowne Plaza" brand. The additional estimated capital expenditure will be funded by the Group's internal resources and there is no change to the use of proceeds from the Global Offering as disclosed in the Prospectus.

Nevertheless, based on the Directors' current estimates, the revenue and profit attributed to the Guam Hotel in the forthcoming financial year ending December 31, 2020 is expected to decrease due to the combination of (1) the estimated capital expenditure of the Asset Rejuvenation Plan, Pre-Opening Program and Rebranding Program, (2) impacts on the occupancy rate and average room rate during the course of the Asset Rejuvenation Plan, Pre-Opening Program and Rebranding Program, (3) the Fees and Contribution payable to IHC Hotel (or its affiliates) under the Hotel Management Agreement, and (4) the ramp-up period required under the Manager's management and operation. **Shareholders and investors should exercise cautions when dealing in the securities of the Company.**

DEFINITIONS

“affiliate(s)”	any entity that is directly or indirectly under the control of InterContinental Hotels Group PLC
“APHI Guam”	Asia Pacific Hotels, Inc. (Guam), a corporation incorporated on April 29, 2002 in Guam with limited liability. A PHI Guam is an indirectly wholly-owned subsidiary of the Company
“Asset Rejuvenation Plan”	the renovation, refurbishment and fit-out works contemplated for the Guam Hotel as detailed in the Prospectus
“Board”	the board of directors of the Company
“Commencement Date”	the date following the completion of the Pre-Opening Program and notified by Manager to A PHI Guam in writing, which is currently expected to be before October 31, 2019
“Company”	S.A.I. Leisure Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1832)
“Director(s)”	the director(s) of the Company
“Fees and Contributions”	the aggregate fees and contributions payable by A PHI Guam to the Manager, Licensor and/or their affiliates under the Hotel Management Agreement
“Group”	the Company and its subsidiaries

“Guam Hotel”	the Group’s hotel located in Tumon Bay, Guam which is currently operated as “Fiesta Resort Guam”
“Hotel Management Agreement”	the hotel management agreement dated September 10, 2019 entered into between APHI Guam and the Manager and Licensor in respect of, among other things, the Hotel Management Services to be provided by the Manager at the Guam Hotel
“Hotel Management Services”	the various management and operational services to be carried out by the Manager under the Hotel Management Agreement, including without limitation, the day-to-day management and operations of the Guam Hotel in accordance with the “Crowne Plaza” brand standards as prescribed under the Hotel Management Agreement
“IHC Hotel”, “Manager” or, “Licensor”	IHC Hotel Limited, a limited company incorporated in England, which is an indirectly wholly-owned subsidiary of InterContinental Hotels Group PLC, the shares of which are dual listed on New York Stock Exchange (stock code: IHG) and London Stock Exchange (stock code: IHG)
“independent third party(ies)”	has its meanings ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Pre-Opening Program”	certain services including, without limitation, the coordination of marketing collateral, human resources and training plan, annual budget and sales and marketing program, to be provided by the Manager under the Hotel Management Agreement prior to the Commencement Date to prepare the Guam Hotel for the Hotel Management Services
“Prospectus”	the prospectus of the Company dated April 30, 2019
“Rebranding Date”	the date following the completion of the Rebranding Program and notified by Manager to APHI Guam in writing, which is currently expected to be before October 1, 2021

“Rebranding Program”	certain services including, without limitation, to the coordination of marketing coordination, sales and marketing program, information technology and business name registration, to be provided by the Manager under the Hotel Management Agreement prior to the Rebranding Date to prepare the Guam Hotel for its re-launch as “Crowne Plaza Guam”
“RevPAR”	revenue per available room, a performance metric used in the hotels and resorts industry that is calculated by dividing the gross room revenue by the number of available rooms
“RGI”	revenue generation index, a performance metric used in the hotels and resorts industry that is calculated by dividing RevPAR of the relevant hotel or resort by the average RevPAR of its main peers obtained from industry associations. A hotel with a RGI larger than 1 means that its RevPAR outperforms the average market RevPAR, and vice versa
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	United States of America

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

Hong Kong, September 10, 2019

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