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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

IMPACT OF THE OUTBREAK OF COVID-19 ON BUSINESS OPERATIONS AND BUSINESS UPDATE

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).

Reference is made to the Voluntary Announcement of the Company dated February 12, 2020. In view of the latest developments of the outbreak of COVID-19, the Board wishes to keep Shareholders and potential investors informed on the impact of the outbreak of COVID-19 on the business operations of the Group.

UPDATE ON THE DEVELOPMENT OF THE COVID-19 OUTBREAK

Since the date of the Voluntary Announcement, more airlines have suspended or reduced flights to/from Saipan. As more cases of COVID-19 are confirmed worldwide, various airlines have also suspended or reduced flights to/from Guam.

Towards the end of March 2020, the governments of the CNMI and Guam have both implemented various measures to curb the spread of COVID-19, which have material impact on the Group's business operations.

In Saipan, government measures include but are not limited to mandatory 14-day self-quarantine for all persons travelling into the CNMI, limitation of opening hours for businesses with facilities open to the general public (only allowed from 6:00 a.m. to 1:00 p.m.), and restriction on dine-in services for restaurants. While room accommodation can still be provided, hotel restaurants can only provide room service and take-out. As of the date of this announcement, the Governor of the CNMI has ordered the relevant measures to be in force until April 14, 2020 unless otherwise lifted.

In Guam, government measures include but are not limited to mandatory 14-day quarantine for travelers from countries with confirmed cases of COVID-19, closure of places of business or public accommodation, and prohibition of gatherings in all public venues including restaurants and bars. As of the date of this announcement, the Governor of Guam has ordered the relevant measures to be in force until April 13, 2020, subject to the development of the situation.

INSIDE INFORMATION

IMPACT ON THE GROUP'S HOTELS AND RESORTS BUSINESS OPERATIONS

Since the implementation of travel bans around the world and the suspension or reduction of flights, there has been a sharp decline in the number of tourists travelling to Saipan and Guam. Coupled with the recently imposed government measures, it is expected that revenue from the Group's hotels and resorts business operations will significantly decrease until the COVID-19 outbreak is effectively controlled and global travel sentiment recovers.

In the circumstances, the Group's management has made several decisions in respect of its hotels and resorts operations in order to mitigate the negative financial and operational impacts of COVID-19.

Fiesta Resort Saipan

On March 25, 2020, the Group's management has decided to temporarily suspend operation of Fiesta Resort Saipan with effect from March 29, 2020 until further notice. It is estimated that such measure will generate cost savings of approximately US\$0.9 million in April 2020, which represents a decrease of approximately 52.6% in operating costs as compared to the same month in the preceding year.

Fiesta Resort Saipan contributed US\$2.0 million (approximately 28.2%) to the Group's revenue in the month of April in the preceding year.

Fiesta Resort Guam

On March 24, 2020, the Group's management and the Hotel Manager have decided to temporarily suspend operation of Fiesta Resort Guam with effect from April 2, 2020 until further notice. It is estimated that such measure will generate cost savings of approximately US\$0.8 million in April 2020, which represents a decrease of approximately 56.5% in operating costs as compared to the same month in the preceding year.

Fiesta Resort Guam contributed US\$1.4 million (approximately 18.5%) to the Group's revenue in the month of April in the preceding year.

Luxury travel retail business operations

Due to the sharp decline in the number of tourists and the social distancing measures imposed by the local governments (especially the limitation of business hours in Saipan), it is expected that revenue from the Group's luxury travel retail business will also significantly decrease until the COVID-19 outbreak is effectively controlled and the relevant government measures are lifted.

In order to mitigate the negative financial and operational impacts of COVID-19 on the Group's luxury travel retail business, the Group's management has decided to temporarily close all boutiques in Saipan, Guam and Hawaii with effect from March 23, March 20 and March 23, 2020 respectively until further notice. It is estimated that such measure will generate cost savings of approximately US\$1.0 million in April 2020, which represents a decrease of approximately 85.1% in operating costs as compared to the same month in the preceding year (excluding cost of inventories sold).

Revenue from the Group's luxury travel retail business contributed US\$2.5 million (approximately 34.3%) to the Group's revenue in the month of April in the preceding year.

Destination services business operations

With the temporary suspension of operation of the Group's hotels and resorts, the Group's management has also decided to temporarily suspend destination services business operations in Saipan with effect from March 29, 2020 until further notice.

Revenue from the Group's destination service business contributed US\$0.3 million (approximately 4.1%) to the Group's revenue in the month of April in the preceding year. Considering the low operational costs for this business segment, there will be minimal cost savings during the period of temporary closure.

BUSINESS UPDATE

Kanoa Resort

The Board also wishes to inform Shareholders and potential investors that Kanoa Resort has been selected by the CNMI Homeland Security and Emergency Management to provide all of its hotel rooms, facilities and meal services to persons subject to the mandatory 14-day quarantine requirement upon their arrival in Saipan. The Group is honored to be able to assist the local government in the fight against COVID-19.

On March 25, 2020 (after trading hours), APHI Saipan (an indirect wholly-owned subsidiary of the Company) entered into an emergency contract with the CNMI Homeland Security and Emergency Management in respect of Kanoa Resort. Under the emergency contract, APHI Saipan will receive various fees for the services to be provided to the government of the CNMI. The contract will last for 90 days from the date of signing of the emergency contract, subject to adjustment by the CNMI Homeland Security and Emergency Management. The Group's management will ensure that sufficient precautions are in place to protect hotel staff and thorough disinfection of rooms and facilities will be carried out at the end of the contract period.

The Board is of the view that the fees to be received under the emergency contract are fair and reasonable and will effectively mitigate the negative financial and operational impacts of COVID-19 on the Group's hotels and resorts business.

Kanoa Resort contributed US\$3.4 million (approximately 14.1%) to the Group's revenue in the three months from April to June in the preceding year. The Company expects that revenue from Kanoa Resort during the period of the emergency contract will not be lower than that of the same period in the preceding year.

As the transaction under the emergency contract is of a revenue nature in the ordinary and usual course of business of the Group under Rule 14.04(1)(g) of the Listing Rules, it will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Century Hotel

Depending on the development of the COVID-19 outbreak, the CNMI Homeland Security and Emergency Management may also require the services of Century Hotel. If so, APHI Saipan may enter into an emergency contract similar to that for Kanoa Resort in respect of Century Hotel.

In the meantime, the Group's management has on March 25, 2020 decided to temporarily suspend operation of Century Hotel with effect from March 29, 2020 until further notice. Century Hotel contributed US\$82,000 (approximately 1.1%) to the Group's revenue in the month of April in the preceding year. Considering the low operational costs for Century Hotel, there will be minimal cost savings during the period of temporary closure.

GOING FORWARD

As the duration of the COVID-19 outbreak is uncertain, the extent of its impact on the Group's operations and financial performance cannot be determined at this stage. In light of these uncertainties and the dampened global travel sentiment, the Company expects that its financial results for the first half of the year ending December 31, 2020 will be significantly and adversely impacted compared to the previous financial year.

The Company will closely monitor the development of the COVID-19 outbreak and its impact on the financial performance of the Group. The Company will make further announcement(s) as and when necessary.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

APHI Saipan	Asia Pacific Hotels, Inc., a corporation incorporated in the CNMI with limited liability, which is an indirectly wholly-owned subsidiary of the Company
Board	the board of directors of the Company
Century Hotel	the Group’s hotel located in Garapan, Saipan which is operated as “Century Hotel”
CNMI	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
CNMI Homeland Security and Emergency Management	the government authority of the CNMI with emergency powers and authority during a state of major disaster or a state significant emergency
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)
COVID-19	the disease named “COVID-19” by the World Health Organization, which is a respiratory disease caused by a novel coronavirus first detected in 2019
Director(s)	the director(s) of the Company
Fiesta Resort Guam	the Group’s hotel located in Tumon Bay, Guam which is currently operated as “Fiesta Resort Guam”
Fiesta Resort Saipan	the Group’s hotel located in Garapan, Saipan which is currently operated as “Fiesta Resort & Spa Saipan”
Group	the Company and its subsidiaries
Guam	Guam, a U.S. territory located in the Western Pacific Region
Hawaii	the State of Hawaii, U.S.
Hotel Manager	IHC Hotel Limited (a limited company incorporated in Australia and a wholly-owned subsidiary of InterContinental Hotels Group Plc.), the manager of Fiesta Resort Guam under a hotel management agreement dated September 10, 2019

Hong Kong	the Hong Kong Special Administrative Region of the PRC
Kanoa Resort	the Group’s hotel located in Susupe, Saipan which is currently operated as “Kanoa Resort”
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Saipan	Saipan, the largest and most populated island in the CNMI
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shareholder(s)	shareholder(s) of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
U.S.	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
Voluntary Announcement	the voluntary announcement of the Company dated February 12, 2020 regarding the “Potential Impact of the Novel Coronavirus Disease Outbreak on Business” and published on the websites of the Stock Exchange and the Company
Western Pacific Region	a sub-region of the Oceania continent which comprises Guam, the CNMI, the Republic of Palau, the Federated States of Micronesia, the Republic of Marshall Islands and other islands in the western Pacific Ocean

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

Hong Kong, March 26, 2020

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