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海天地悅旅集團有限公司
S.A.I. LEISURE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1832)

MAJOR TRANSACTION

CONSTRUCTION CONTRACTS IN RELATION TO THE RENOVATION AND UPGRADE OF FIESTA RESORT SAIPAN

Construction Contracts in relation to the Renovation and Upgrade of Fiesta Resort Saipan

The Board hereby announces that on May 28, 2021 (after trading hours), APHI Saipan (an indirectly wholly-owned subsidiary of the Company) as owner entered into two Construction Contracts with the Contractor (an independent third party) as prime contractor in respect of the Renovation Works for the guestrooms, public spaces and exterior of Fiesta Resort Saipan.

The Renovation Works under the Construction Contracts form part of the renovation and upgrade works of Fiesta Resort Saipan under the Asset Rejuvenation Plan and the Rebranding Works under the Hotel Management Agreement in order to prepare Fiesta Resort Saipan to be reopened under the new brand name “Crowne Plaza Resort Saipan”. It is currently expected that Fiesta Resort Saipan will be rebranded and reopened as “Crowne Plaza Resort Saipan” in the 4th quarter of 2021, subject to final confirmation by the Hotel Manager.

Listing Rules Implications

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

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

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

In accordance with Rule 14.41(a) of the Listing Rules, the circular containing further information in relation to the Construction Contracts will be despatched to the Shareholders for information purpose on or before June 21, 2021.

INTRODUCTION

The Board hereby announces that on May 28, 2021 (after trading hours), APhi Saipan (an indirectly wholly-owned subsidiary of the Company) as owner entered into two Construction Contracts with the Contractor (an independent third party) as prime contractor in respect of the Renovation Works for the guestrooms, public spaces and exterior of Fiesta Resort Saipan.

The Renovation Works under the Construction Contracts form part of the renovation and upgrade works of Fiesta Resort Saipan under the Asset Rejuvenation Plan and the Rebranding Works under the Hotel Management Agreement in order to prepare Fiesta Resort Saipan to be reopened under the new brand name "Crowne Plaza Resort Saipan". It is currently expected that Fiesta Resort Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" in the 4th quarter of 2021, subject to final confirmation by the Hotel Manager.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACTS

Summarized below are the principal terms of the two Construction Contracts each dated May 28, 2021 and entered into between APhi Saipan (as owner) and the Contractor (as prime contractor):-

(1) Guestrooms Construction Contract

Scope of Guestrooms Works : Guestroom construction works for Fiesta Resort Saipan as detailed in the Guestrooms Construction Contract, including but not limited to major improvements to the electrical and plumbing infrastructure, as well as the complete removal and replacement of the ventilation and air-conditioning systems, flooring, fixtures, fittings, electrical appliances and accessories etc. Upon completion of the works, the accommodation capacity of Fiesta Resort Saipan will be increased to 422 rooms and suites. APhi Saipan may order changes to the works within the general scope of the contract.

Substantial Completion Date : When the Guestrooms Works or a designated portion thereof are/is substantially complete, the Architect will prepare a certificate of substantial completion which shall establish the date of substantial completion. Subject to any adjustment to the scope of the Guestrooms Works, the Contractor shall achieve substantial completion of all portions of the Guestrooms Works by July 30, 2021.

Contract sum : The total contract sum payable by APhi Saipan to the Contractor shall be approximately US\$7,777,000, which comprises:-

- (1) construction costs in the sum of approximately US\$6,267,000 (including labor costs, sub-contract costs, costs of materials and equipment, allowances and other costs), subject to any adjustment to the scope of the Guestrooms Works; and
- (2) contractor's fees in the sum of approximately US\$1,510,000 (including insurance, taxes and other fees), which is calculated with reference to the total construction costs and may accordingly be subject to adjustment.

(2) **Public Space and Exterior Construction Contract**

- Scope of Public Space and Exterior Works** : Construction works to be carried out to the public spaces and exterior areas of Fiesta Resort Saipan as detailed in the Public Space and Exterior Construction Contract, including but not limited to the complete renovation of the reception areas, lobby, lobby lounge, restaurants, bar, public restrooms, retail areas, ballroom, conference room, fitness room, kids club, adult pool, kids pool, lawn areas, conversion of an existing meeting room to restaurant space, and replacement of the electrical, plumbing, ventilation and air-conditioning systems, flooring, lighting etc. APhi Saipan may order changes to the works within the general scope of the contract.
- Substantial Completion Date** : When the Public Space and Exterior Works or a designated portion thereof are/is substantially complete, the Architect will prepare a certificate of substantial completion which shall establish the date of substantial completion. Subject to any adjustment to the scope of the Public Space and Exterior Works, the Contractor shall achieve substantial completion of the Public Space and Exterior Works by October 15, 2021.
- Contract sum** : The total contract sum payable by APhi Saipan to the Contractor shall be approximately US\$6,312,000, which comprises:-
- (1) construction costs in the sum of approximately US\$5,086,000 (including labor costs, sub-contract costs, costs of materials and equipment, allowances and other costs), subject to any adjustment to the scope of the Public Space and Exterior Works; and
 - (2) contractor's fees in the sum of approximately US\$1,226,000 (including insurance, taxes and other fees), which is calculated with reference to the total construction costs and may accordingly be subject to adjustment.

Under the terms of each Construction Contract, the contract sum will be paid by progress payments based on applications for payment submitted by the Contractor together with certificates for payment issued by the Architect and other supporting documents. The period covered by each application for payment shall be one calendar month ending on the last

day of the month. For each progress payment, APhi Saipan has the right to retain 10% from the amount otherwise due as retainage. Once the Renovation Works under the relevant Construction Contract are 50% complete, the retainage right shall be reduced to 5%.

The final payment will be payable after full performance of the relevant Construction Contract by the Contractor. The Contractor is required to submit final accounts for the construction costs to APhi Saipan. APhi Saipan has the right to conduct an audit on the construction costs and a final certificate for payment will be issued by the Architect after receipt of the audit report in accordance with the terms of the relevant Construction Contract.

INFORMATION OF THE GROUP

The Group is principally engaged in (1) hotel and resort operations in Saipan and Guam; (2) travel retail business of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii; and (3) the provision of destination services in Saipan including the operation of souvenir and convenience stores, the operation of excursion tours and the provision of land arrangement and concierge services.

Based on the 2020 Annual Report, the net asset value of the Company as at December 31, 2020 was approximately US\$91.8 million.

INFORMATION OF FIESTA RESORT SAIPAN AND APhi SAIPAN

Fiesta Resort Saipan is a 17,644 sq. m. facility strategically located at the heart of the Garapan tourism center of Saipan. As of the date of this announcement, Fiesta Resort Saipan comprises 418 rooms. Fiesta Resort Saipan is operated on leasehold interests held by APhi Saipan, and the expiry date of the current land lease for Fiesta Resort Saipan is June 30, 2021. As disclosed in the announcement of the Company dated April 23, 2020, APhi Saipan and the CNMI Department of Public Lands have agreed to renew the land lease for a term of 40 years commencing from July 1, 2021 which, subject to approval by the CNMI Legislature, may be extended for up to 15 years. Since August 1, 2020, Fiesta Resort Saipan has been managed and operated by the Hotel Manager (a wholly-owned subsidiary of InterContinental Hotels Group) pursuant to the Hotel Management Agreement as disclosed in the announcement of the Company issued on May 3, 2020.

APhi Saipan is an operating subsidiary of the Group which currently owns Fiesta Resort Saipan. It is an indirectly wholly-owned subsidiary of the Company. Under the Hotel Management Agreement, APhi Saipan retains its rights over certain key managerial, financial and strategic decisions as the hotel owner.

INFORMATION OF THE CONTRACTOR

The Contractor is principally engaged in undertaking building construction and renovation work as a prime contractor in the Northern Mariana Islands, Guam and the Federated States of Micronesia. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Contractor and its ultimate beneficial owner are independent third parties.

The Contractor was selected by APhi Saipan as the prime contractor after due and careful consideration, taking into account a number of factors, including quality of work, experience, availability and market position.

VALUE OF CONSIDERATION

The aggregate value of the consideration payable under the Construction Contracts is approximately US\$14,089,000, which will be funded partly by the net proceeds from Listing, partly by the Group's internal resources and partly by external financing.

The consideration under each of the Construction Contracts was determined after arm's length negotiations between APhi Saipan and the Contractor and on normal commercial terms with reference to the standard required for the Renovation Works, the experience and market position of the Contractor and the expected quality of the Renovation Works.

REASONS AND BENEFITS FOR ENTERING INTO THE CONSTRUCTION CONTRACTS

One of the principal businesses of the Group is the operation of hotels and resorts in Saipan and Guam. For the financial year ended December 31, 2020, Fiesta Resort Saipan contributed to 12.2% of the Group's total revenue.

As disclosed in the Prospectus, asset quality (including but not limited to room age, contemporary decoration and maintenance standard) is the primary factor when leisure travelers select their holiday accommodation. Fiesta Resort Saipan's relatively dated asset quality has impaired its ability to command higher room rates.

Taking into account the market landscape of Fiesta Resort Saipan, the Directors (including the independent non-executive Directors) are of the view that the Renovation Works under the Construction Contracts will increase the accommodation capacity of Fiesta Resort Saipan and position Fiesta Resort Saipan at a high-end market position capable of commanding a higher revenue and reaching out to a wider and more premium customer base. This is in line with the Group's elaborate business strategies to (1) increase average room rates and achieve stronger yield and (2) expand the long-term accommodation capacity in its Hotels & Resorts Segment as disclosed in the Prospectus.

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

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

ASSET REJUVENATION PLAN

The Asset Rejuvenation Plan of Fiesta Resort Saipan is currently being undertaken in the manner described in the Prospectus and supplemented by the 2019 Annual Report and the 2020 Annual Report. As at the date of this announcement, there is no change to or further delay in the use of proceeds from the Listing as disclosed in the Prospectus and supplemented by the 2019 Annual Report and 2020 Annual Report.

IMPLICATIONS UNDER THE LISTING RULES

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

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

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

In accordance with Rule 14.41(a) of the Listing Rules, the circular containing further information in relation to the Construction Contracts will be despatched to the Shareholders for information purpose on or before June 21, 2021.

DEFINITIONS

2019 Annual Report	the annual report of the Company dated March 26, 2020 for the financial year ended December 31, 2019
2020 Annual Report	the annual report of the Company dated March 30, 2021 for the financial year ended December 31, 2020
APHI Saipan	Asia Pacific Hotels, Inc., a corporation incorporated on November 19, 1997 in the CNMI with limited liability, which is an indirectly wholly-owned subsidiary of the Company
Architect	an architect or entity retained or to be retained by APHI Saipan in accordance with the terms of each Construction Contract, which shall be lawfully licensed to practice architecture in Saipan
Asset Rejuvenation Plan	the renovation, refurbishment and fit-out works contemplated for Fiesta Resort Saipan as detailed in the Prospectus and supplemented by the 2019 Annual Report and the 2020 Annual Report
Board	the board of directors of the Company
CNMI	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
CNMI Department of Public Lands	the Department of Public Lands established under Public Law 15–2 of the CNMI, which has the authority and responsibility over the management, use and disposition of public lands in the CNMI
CNMI Legislature	the Northern Marianas Commonwealth Legislature, the territorial legislature of the CNMI
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)
Construction Contracts	the Guestrooms Construction Contract and the Public Space and Exterior Construction Contract collectively
Contractor	GPPC, Inc., a corporation incorporated in the CNMI, the ultimate beneficial owner of which is Mr. Hang Chieng Tan, an independent third party
controlling shareholder	has the meaning ascribed to it under the Listing Rules

Director(s)	the director(s) of the Company
Fiesta Resort Saipan	the Group’s full-service, family-style resort located in Garapan, Saipan, which is currently operating as “Fiesta Resort & Spa Saipan”
Group	the Company and its subsidiaries
Guam	Guam, a U.S. territory located in the Western Pacific Region
Guestrooms Construction Contract	the agreement (including all contract documents comprised therein) dated May 28, 2021 and entered into between APHI Saipan and the Contractor in respect of the Guestrooms Works to be carried out at Fiesta Resort Saipan, the principal terms of which are set out in the section headed “Principal Terms of the Construction Contracts — (1) Guestrooms Construction Contract” of this announcement
Guestrooms Works	the renovation and upgrade works in respect of the guestrooms of Fiesta Resort Saipan to be executed by the Contractor pursuant to the Guestrooms Construction Contract as described in the paragraph headed “Scope of Guestrooms Works” under the section headed “Principal Terms of the Construction Contracts — (1) Guestrooms Construction Contract” of this announcement
Hawaii	the State of Hawaii, U.S.
Hong Kong	the Hong Kong Special Administrative Region of the People’s Republic of China
Hotel Management Agreement	the hotel management agreement dated May 1, 2020 and entered into between APHI Saipan and the Hotel Manager (as manager and licensor) in respect of Fiesta Resort Saipan as detailed in the announcement of the Company issued on May 3, 2020
Hotel Manager	IHC Hotel Limited (a wholly-owned subsidiary of InterContinental Hotels Group), the manager of Fiesta Resort Saipan under the Hotel Management Agreement
independent third party(ies)	has the meaning ascribed to it under the Listing Rules
InterContinental Hotels Group	InterContinental Hotels Group Plc., the shares of which are dual listed on the New York Stock Exchange (stock code: IHG) and the London Stock Exchange (stock code: IHG)

Listing	the listing of the shares of the Company on the Main Board Stock Exchange on May 16, 2019
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Prospectus	the prospectus of the Company published on April 30, 2019
Public Space and Exterior Construction Contract	the agreement (including all contract documents comprised therein) dated May 28, 2021 and entered into between APHI Saipan and the Contractor in respect of the Public Space and Exterior Works to be carried out at Fiesta Resort Saipan, the principal terms of which are set out in the section headed “Principal Terms of the Construction Contracts — (2) Public Space and Exterior Construction Contract” of this announcement
Public Space and Exterior Works	the renovation and upgrade works in respect of the public spaces and exterior of Fiesta Resort Saipan to be executed by the Contractor pursuant to the Public Space and Exterior Construction Contract as described in the paragraph headed “Scope of Public Space and Exterior Works” under the section headed “Principal Terms of the Construction Contracts — (2) Public Space and Exterior Construction Contract” of this announcement
Rebranding Works	the works required to refurbish and fit-out Fiesta Resort Saipan in accordance with the terms of the Hotel Management Agreement to the brand standards of the “Crowne Plaza” brand
Renovation Works	the Guestrooms Works and the Public Space and Exterior Works collectively
Saipan	Saipan, the largest and most populated island in the CNMI
Share(s)	ordinary share(s) in the share capital of the Company
Shareholder(s)	holder(s) of Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
THC Leisure	THC Leisure Holdings Limited, a company incorporated on October 18, 2018 in the British Virgin Islands with limited liability, the controlling shareholder of the Company

U.S. the United States of America, its territories, its possessions and all areas subject to its jurisdiction

US\$ United States dollars, the lawful currency of the U.S.

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

Hong Kong, May 28, 2021

As at the date of this announcement, the Board 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.