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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2020 US\$'000 (Unaudited)	2019 US\$'000 (Unaudited)
Revenue	28,945	49,543
Operating profit	157	5,874
Profit attributable to owners of the Company	538	5,534
Profit margin (ratio of profit attributable to owners of the Company to revenue)	1.9%	11.2%
Basic earnings per share (<i>US cents</i>)	0.1	2.0

The board of directors (the “**Board**”) of S.A.I. Leisure Group Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED JUNE 30, 2020

		Six months ended June 30,	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	28,945	49,543
Cost of inventories sold	5	(3,334)	(8,030)
Food and beverage costs	5	(1,000)	(3,319)
Employee benefit expenses	5	(9,345)	(11,834)
Utilities, repairs and maintenance	5	(2,207)	(3,083)
Other losses, net	4	(5)	(253)
Operating and other expenses	5	(12,897)	(17,150)
		<hr/>	<hr/>
Operating profit		157	5,874
Finance income	6	231	83
Finance costs	6	(386)	(375)
		<hr/>	<hr/>
Finance costs, net	6	(155)	(292)
		<hr/>	<hr/>
Profit before income tax		2	5,582
Income tax credit/(expense)	7	82	(67)
		<hr/>	<hr/>
Profit for the period		84	5,515
		<hr/>	<hr/>
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		(4)	—
		<hr/>	<hr/>
Total comprehensive income for the year		80	5,515
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended June 30,	
		2020	2019
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
Owners of the Company		538	5,534
Non-controlling interests		(454)	(19)
		<u>84</u>	<u>5,515</u>
Total comprehensive income /(loss) attributable to:			
Owners of the Company		534	5,534
Non-controlling interests		(454)	(19)
		<u>80</u>	<u>5,515</u>
Earnings per share attributable to owners of the Company			
— Basic and diluted (<i>US cents</i>)	8	<u>0.1</u>	<u>2.0</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	<i>Note</i>	As at June 30, 2020 US\$'000 (Unaudited)	As at December 31, 2019 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		54,016	51,478
Investment properties		2,450	2,507
Intangible assets		296	357
Deferred income tax assets		1,996	2,035
Deposits and prepayments		1,996	681
Financial asset at fair value through other comprehensive income		503	507
		61,257	57,565
Current assets			
Inventories		8,531	8,290
Trade receivables	10	12,642	3,551
Deposits, prepayments and other receivables		2,217	2,668
Amounts due from related parties		13	50
Income tax recoverable		2,496	2,461
Cash and cash equivalents		48,541	56,602
		74,440	73,622
Total assets		135,697	131,187
EQUITY			
Equity attributable to owners of the Company			
Share capital		461	461
Share premium		38,122	38,122
Merger reserve		27,006	27,006
Other reserve		4,835	4,839
Retained earnings		31,329	31,801
		101,753	102,229
Non-controlling interests		903	1,357
Total equity		102,656	103,586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT JUNE 30, 2020

		As at June 30, 2020	As at December 31, 2019
	<i>Note</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		18,319	14,714
Deferred income tax liabilities		640	762
		18,959	15,476
Current liabilities			
Trade and other payables	11	11,782	9,086
Contract liabilities		74	413
Lease liabilities		2,135	2,481
Amounts due to related parties		62	70
Income tax payable		29	75
		14,082	12,125
Total liabilities		33,041	27,601
Total equity and liabilities		135,697	131,187

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

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

The Company is an investment holding company and 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. 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 condensed consolidated interim financial information is presented in United States dollars (“**US\$**”) and all values are rounded to the nearest thousand (US\$’000), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on August 27, 2020.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

The unaudited condensed consolidated interim financial information (“**Financial Statements**”) has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The Group’s unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

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

The Group has adopted and applied, for the first time, the following new standards that have been issued and effective for the accounting period beginning on January 1, 2020:

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

The adoption of the above amendments to standards did not have significant financial impact on the Group's condensed consolidated interim financial information.

(b) *Early adoption of amendment to HKFRSs*

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

Amendments to HKFRS 16	COVID-19 — Related Rent Concession
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The amendment provides lessees with exemption from assessing whether COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concession as if they were not lease modifications. In applying Amendments to HKFRS 16 for the first time, the Group has applied the practical expedient and elected not to assess whether COVID-19-related rent concession is a lease modification. The COVID-19-related rent concessions amounting to US\$189,000 have been credited to the condensed consolidated statement of comprehensive income.

The preparation of these Financial Statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2019.

3 Segment and revenue information

The executive directors have been identified as the Group's chief operating decision-maker (“**CODM**”). The Group's 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 premises in Saipan and Guam (the “**Hotels & Resorts Segment**”);
- (b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii (the “**Luxury Travel Retail Segment**”);
- (c) Destination services: provision of destination activities in Saipan including (i) operation of souvenir and convenience stores; (ii) excursion tour operation; and (iii) provision of land arrangement and concierge services (the “**Destination Services Segment**”).

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

The Group's CODM assesses the performance of the operating segments based on adjusted operating profit. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other losses, net are not included in the result for each of the 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 periods ended June 30, 2020 and 2019 are as follows:

	For the six months ended June 30, 2020				
	Hotels and resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Unallocated US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Revenue					
Total segment revenue	22,677	5,916	392	—	28,985
Inter-segment revenue	(40)	—	—	—	(40)
Revenue from external customers	<u>22,637</u>	<u>5,916</u>	<u>392</u>	<u>—</u>	<u>28,945</u>
Timing of revenue recognition					
At a point of time	6,070	5,916	346	—	12,332
Over time	10,193	—	46	—	10,239
Revenue from other source	6,374	—	—	—	6,374
	<u>22,637</u>	<u>5,916</u>	<u>392</u>	<u>—</u>	<u>28,945</u>
Segment results	3,934	(2,229)	(363)	(1,180)	162
Other losses, net					(5)
Finance income					231
Finance costs					(386)
Profit before income tax					2
Income tax credit					82
Profit for the period					<u>84</u>
Profit for the period includes:					
Depreciation for property, plant and equipment	2,503	1,714	119	28	4,364
Depreciation for investment properties	57	—	—	—	57
Amortization for intangible assets	60	9	—	—	69
Provision for obsolete inventories	—	298	—	—	298
Provision for impairment of trade receivables	—	—	—	—	—
Impairment loss on property, plant and equipment and right-of-use assets	—	529	—	—	529
Additions of property, plant and equipment	<u>2,996</u>	<u>—</u>	<u>4</u>	<u>2</u>	<u>3,002</u>

	For the six months ended June 30, 2019			
	Hotels and resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Revenue				
Total segment revenue	33,067	14,707	1,860	49,634
Inter-segment revenue	(91)	—	—	(91)
Revenue from external customers	<u>32,976</u>	<u>14,707</u>	<u>1,860</u>	<u>49,543</u>
Timing of revenue recognition				
At a point in time	10,350	14,707	1,639	26,696
Over time	22,116	—	221	22,337
Revenue from other source	510	—	—	510
	<u>32,976</u>	<u>14,707</u>	<u>1,860</u>	<u>49,543</u>
Segment results	7,223	327	210	7,760
Unallocated corporate expenses				(144)
Listing expenses				(1,489)
Other losses, net				(253)
Finance income				83
Finance costs				(375)
Profit before income tax				<u>5,582</u>
Income tax expense				(67)
Profit for the period				<u><u>5,515</u></u>
Profit for the period includes:				
Depreciation for property, plant and equipment	2,511	1,640	129	4,280
Depreciation for investment properties	58	—	—	58
Amortization for intangible assets	58	1	1	60
Provision for obsolete inventories	8	21	6	35
Provision for impairment of trade receivables	28	—	—	28
Additions of property, plant and equipment	<u>790</u>	<u>275</u>	<u>23</u>	<u>1,088</u>

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

4 Other losses, net

	Six months ended June 30,	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Other losses, net		
Net exchange losses	5	251
Losses on disposal of property, plant and equipment	—	2
	<u>5</u>	<u>253</u>

5 Expenses by nature

	Six months ended June 30,	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	3,334	8,030
Food and beverage costs	1,000	3,319
Employee benefit expenses	9,345	11,834
Utilities, repairs and maintenance	2,207	3,083
Short-term leases expenses	59	348
Variable lease payments	181	681
Rent concession related to COVID-19	(189)	—
Depreciation on property, plant and equipment	4,364	4,280
Depreciation on investment properties	57	58
Amortization on intangible assets	69	60
Other taxes and licenses	1,509	2,486
Supplies and tools	782	1,523
Shared-services expenses	161	133
Laundry expenses	275	614
Temporary labour costs	107	317
Commission expenses	744	1,110
Insurance expenses	696	657
Provision for impairment of trade receivables	—	28
Provision for obsolete inventories	298	35
Impairment loss on property, plant and equipment and right-of-use assets	529	—
Listing expenses	—	1,489
Other miscellaneous expenses	3,255	3,331
	<u>28,783</u>	<u>43,416</u>

	Six months ended June 30,	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Representing:		
Cost of inventories sold	3,334	8,030
Food and beverage costs	1,000	3,319
Employee benefit expenses	9,345	11,834
Utilities, repairs and maintenance	2,207	3,083
Operating and other expenses	12,897	17,150
	<u>28,783</u>	<u>43,416</u>

6 Finance costs, net

	Six months ended June 30,	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Finance costs:		
— Interest expense on lease liabilities	<u>(386)</u>	<u>(375)</u>
	<u>(386)</u>	<u>(375)</u>
Finance income:		
— Interest income from bank deposits	<u>231</u>	<u>83</u>
	<u>231</u>	<u>83</u>
Finance costs, net	<u>(155)</u>	<u>(292)</u>

7 Income tax (credit)/expense

Taxation on profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended June 30,	
	2020	2019
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
United States corporate income tax	—	247
	-----	-----
Deferred tax		
Origination and reversal of temporary differences	(82)	(180)
	_____	_____
	(82)	67
	=====	=====

The Group's subsidiaries incorporated in the Commonwealth of the Northern Mariana Islands ("CNMI"), Guam and Hawaii were subject to income tax rate of 21%.

Companies incorporated and operating in the CNMI are entitled to use their business gross receipt tax payments as tax credits in deriving the corporate income tax during the six months ended June 30, 2020 and 2019.

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

For the six months ended June 30, 2020, the CNMI and Guam entities comprising the Group are allowed to file the tax return on a consolidated basis with S.A.I. CNMI Tourism Inc. and S.A.I. Guam Tourism Inc., respectively.

8 Earnings per share

(a) *Basic*

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganization completed on November 16, 2018 and the shares issued pursuant to the Capitalization Issue (as defined in 2019 Annual Report Note 23(b)) were deemed to have been in issue since January 1, 2018.

	Six months ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (US\$'000)	538	5,534
Weighted average number of ordinary shares in issue (thousands)	360,000	281,342
Basic earnings per share (US cents)	<u>0.1</u>	<u>2.0</u>

(b) *Diluted*

Diluted earnings per share for the six months ended June 30, 2020 and 2019 is the same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the periods.

9 Dividend

A final dividend of US0.28 cents per share for the year ended December 31, 2019, amounting to US\$1,010,000 was paid during the six months ended June 30, 2020.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

10 Trade receivables

	As at June 30, 2020 <i>US\$'000</i> (Unaudited)	As at December 31, 2019 <i>US\$'000</i> (Audited)
Trade receivables from third parties (<i>Note a</i>)	12,855	2,912
Less: provision for impairment	<u>(216)</u>	<u>(216)</u>
	12,639	2,696
Amounts due from related parties (<i>Note b</i>)	<u>3</u>	<u>855</u>
Total trade receivables, net	<u><u>12,642</u></u>	<u><u>3,551</u></u>

Notes:

(a) Trade receivables from third parties

The majority of the Group's sales are with credit terms of 30 days from the invoice date. As at June 30, 2020 and December 31, 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at June 30, 2020 <i>US\$'000</i> (Unaudited)	As at December 31, 2019 <i>US\$'000</i> (Audited)
Within 30 days	2,474	2,108
31 to 60 days	5,450	419
61 to 90 days	3,132	33
Over 90 days	<u>1,799</u>	<u>352</u>
	<u><u>12,855</u></u>	<u><u>2,912</u></u>

(b) Amounts due from related parties

As at June 30, 2020 and December 31, 2019, the amounts due from related parties are unsecured, interest-free and with credit terms of 30 days.

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

	As at June 30, 2020 US\$'000 (Unaudited)	As at December 31, 2019 US\$'000 (Audited)
Within 30 days	3	782
31 to 60 days	—	6
61 to 90 days	—	18
Over 90 days	—	49
	<hr/> 3	<hr/> 855

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

11 Trade and other payables

	As at June 30, 2020 <i>US\$'000</i> (Unaudited)	As at December 31, 2019 <i>US\$'000</i> (Audited)
Trade payables		
— to third parties (<i>Note a</i>)	1,163	3,162
— to related parties (<i>Note b</i>)	26	79
	<hr/>	<hr/>
Total trade payables	1,189	3,241
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Accruals and other payables		
— Accrued employee benefit expenses	1,290	800
— Other taxes payable	649	1,088
— Accruals for listing expenses	—	282
— Other accruals and payables	8,654	3,675
	<hr/>	<hr/>
	10,593	5,845
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
	11,782	9,086
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes:

(a) Trade payables to third parties

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

	As at June 30, 2020 <i>US\$'000</i> (Unaudited)	As at December 31, 2019 <i>US\$'000</i> (Audited)
Within 30 days	1,023	2,564
31 to 60 days	96	502
61 to 90 days	7	76
Over 90 days	37	20
	<hr/>	<hr/>
	1,163	3,162
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(b) Amounts due to related parties

As at June 30, 2020 and December 31, 2019, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

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

	As at June 30, 2020 US\$'000 (Unaudited)	As at December 31, 2019 US\$'000 (Audited)
Within 30 days	3	35
31 to 60 days	—	44
Over 90 days	23	—
	<hr/> 26 <hr/>	<hr/> 79 <hr/>

12 Events after the reporting period

Subsequent to June 30, 2020, the global spread of the Coronavirus Disease 2019 (“COVID-19”) continues and the various precautionary measures imposed by governments around the world are still in place (including but not limited to travel bans and limited business hours). The business operations of some of the Group’s hotels and resorts in Saipan and Guam, some of the Group’s luxury travel retail boutiques in Saipan, Guam and Hawaii, as well as the Group’s destination services in Saipan are still temporarily suspended as of the date of this announcement.

The global pandemic has led to significant volatility in the financial markets, which adversely affects global business and economic activity. The global spread of COVID-19 and various containment measures are having material adverse effects on the global economy and, in particular, the global tourism market. As the duration of the COVID-19 outbreak is still uncertain, the extent of its impact on the Group’s operations and financial performance cannot be determined as at the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and make announcement(s) as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

The global tourism industry faces significant challenge in 2020 due to the impact of the outbreak of COVID-19. A series of precautionary and control measures (including but not limited to travel bans) have been implemented by the government authorities around the world due to the COVID-19 pandemic. Since early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from the Group's key tourist origin markets. Coupled with the dampened global travel sentiment, there has been a sharp decline in the number of tourists travelling to Saipan and Guam.

Towards the end of March 2020, the governments of the CNMI and Guam have both implemented various measures to curb the spread of the COVID-19 (including limitation of opening hours for businesses), which have further material impact on the Group's business operations. In late March 2020, the Group's management has made several decisions in respect of business operations in order to mitigate the negative financial and operational impacts of COVID-19, including but not limited to the temporary closure of some of the Group's hotels and luxury travel retail boutiques in order to reduce operational costs.

During the Reporting Period, the Group's recorded revenue amounted to US\$28.9 million, representing a decrease of 41.7% compared with the corresponding period in 2019 of US\$49.6 million. The significant decrease was mainly due to the material impact of COVID-19 as described above, 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.

For the Reporting Period, the operating profit of the Group decreased by US\$5.7 million to US\$0.2 million when compared with the corresponding period in 2019, which fluctuated in the same manner as the revenue during the Reporting Period. Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

II. SEGMENTAL REVIEW

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment respectively accounted for approximately 78.2%, 20.4% and 1.4% of the Group's total revenue for the Reporting Period.

Hotels & Resorts Segment

For the Reporting Period, revenue generated from the Hotels & Resorts Segment was US\$22.6 million, representing a decrease of 31.5% as compared with the revenue of the corresponding period in 2019 of US\$33.0 million. The decrease was mainly due to the fact that the Group's management has decided to temporarily suspend operation of Fiesta Resort Saipan and Century Hotel in late March 2020 until further notice.

On the contrary, 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. Under the emergency contract, the Group received various fees for the services that have been provided to the government of the CNMI. The initial contract period was 90 days from March 25, 2020, which was extended for another 90 days. The Group is honored to be able to support the local government in the fight against COVID-19.

As mentioned in the Announcement issued by the Company on May 28, 2020, the Group's management and the hotel manager of Fiesta Resort Guam have decided to extend the period of suspension of operation of Fiesta Resort Guam for the purpose of carrying out the next phase of the renovation and upgrade works under the Asset Rejuvenation Plan (as defined in the Announcement mentioned above), including room refurbishment, landscaping upgrade and hospitality enhancement. The suspension of the business operation of Fiesta Resort Guam was extended until the completion of the renovation and upgrade works, which is currently expected to be in mid-2021.

Despite three out of the Group's four hotels and resorts are temporarily suspended during the COVID-19 pandemic, the cost saving measures implemented during the operation suspension period have effectively mitigated the negative financial impact of COVID-19. For the six months ended June 30, 2020, the operating costs of the Hotels & Resorts Segment was reduced by approximately US\$7.0 million as compared to the same period last year. During the Reporting Period, the segmental margin of the Hotels & Resorts Segment was decreased by 4.5% from 21.9% to 17.4%, which fluctuated in the same manner as the revenue.

Luxury Travel Retail Segment

During the Reporting Period, revenue from the Luxury Travel Retail Segment was US\$5.9 million, representing a decrease of 59.9% as compared with the corresponding period in 2019 of US\$14.7 million. The substantial decrease was mainly due to the sharp decline in the number of tourists and the various precautionary measures imposed by the local governments (especially the limitation of business hours in Saipan).

In order to mitigate the negative financial and operational impacts of COVID-19 on the luxury travel retail business, the Group's management has decided to temporarily close all boutiques in Saipan, Guam and Hawaii with effect from late March 2020 until further notice. Certain luxury travel retail boutiques located in Guam and Hawaii have resumed their operations in May and August 2020, respectively.

The temporary closure of our luxury travel retail boutiques has effectively reduced the operating costs of the Luxury Travel Retail Segment. In addition, the Group's management re-negotiated rental terms with the landlords in view of the COVID-19 pandemic, and achieved more favorable terms for the Group's luxury travel retail boutiques in Saipan, Guam and Hawaii. For the six months ended June 30, 2020, the operating costs of the Luxury Travel Retail Segment was reduced by approximately US\$3.6 million as compared to the same period last year. Due to the COVID-19 pandemic, the Group's management also exercised care in inventory management in order to reduce the Group's inventory level. It is also noted that, in applying HKAS 36 *Impairment of Assets*, the recognition of US\$0.5 million impairment on the property, plant and equipment hit the segmental results during the Reporting Period.

Destination Services Segment

Due to the sharp decline in the number of tourists in Saipan and with the temporary suspension of operation of the Group's hotels and resorts, the Group's management has also decided to temporarily suspend the destination services business operation in Saipan with effect from late March 2020 until further notice.

During the Reporting Period, the revenue from the Destination Services Segment was US\$0.4 million, representing a decrease of US\$1.5 million as compared with the corresponding period in 2019 of US\$1.9 million. The segment profit fluctuated in the same manner as the revenue during the Reporting Period.

III. MATERIAL ACQUISITION

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

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

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

IV. SUBSEQUENT EVENTS

Since the end of the Reporting Period, the global spread of COVID-19 continues and the various precautionary measures imposed by governments around the world are still in place (including but not limited to travel bans and limited business hours). The business operations of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel, some of the Group’s luxury travel retail boutiques in Saipan, Guam and Hawaii, as well as the Group’s destination services in Saipan are still temporarily suspended as of the date of this announcement.

The global pandemic has led to significant volatility in the financial markets, which adversely affects global business and economic activity. The global spread of COVID-19 and various containment measures are having material adverse effects on the global economy and, in particular, the global tourism market. As the duration of the COVID-19 outbreak is still uncertain, the extent of its impact on the Group’s operations and financial performance cannot be determined as at the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and make announcement(s) as and when necessary.

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at June 30, 2020	As at December 31, 2019
Current ratio (times) (<i>Note a</i>)	5.3	6.1
Quick ratio (times) (<i>Note b</i>)	4.7	5.5
Gearing ratio (%) (<i>Note c</i>)	—	—
Net debt to equity ratio (%) (<i>Note d</i>)	<u><u>N/A</u></u>	<u><u>N/A</u></u>

Notes:

- (a) Current ratio was calculated based on the total current assets divided by the total current liabilities as at the end of the respective period.
- (b) Quick ratio was calculated based on the total current assets less inventories and then divided by the total current liabilities as at the end of the respective period.
- (c) Gearing ratio was calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of the respective year and multiplied by 100%.
- (d) Net debt to equity ratio was calculated based on net debts (being total interest-bearing bank borrowings net of cash and cash equivalents) as at the end of the respective period divided by total equity as at the end of the respective period and multiplied by 100%. Net debt includes all interest-bearing bank borrowings (if any), net of cash and cash equivalents.

Current ratio and quick ratio

The current ratio decreased from 6.1 as at December 31, 2019 to 5.3 as at June 30, 2020 mainly due to the increase in the construction in progress, which represents the payment made for the asset rejuvenation project and overall upgrade works in Guam and Saipan during the Reporting Period. The quick ratio fluctuated in the same manner as the current ratio during the Reporting Period.

Gearing ratio

The gearing ratio was nil as at June 30, 2020 and December 31, 2019 because the Group has zero interest-bearing bank borrowings as at the end of the respective period.

Net debt to equity ratio

Net debt to equity ratio is not applicable to the Group as at June 30, 2020 and December 31, 2019 as there were no borrowings as at the end of the respective period.

Capital Structure

The capital structure of the Group only consists of equity attributable to owners of the Company as shown in the condensed consolidated statement of financial position.

VI. FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most of the transactions settled in United States 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 June 30, 2020, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US\$. Therefore, the Group's foreign exchange risk is insignificant.

VII. FUTURE PLANS AND MARKET PROSPECTS

The global tourism industry will continue to face significant challenge in the second half of 2020 due to the impact of the outbreak of COVID-19. However, the Group's management expects the leisure travel market to gradually resume when the COVID-19 outbreak is effectively controlled in the Group's key tourist origin markets and thus the routine flight schedules could be resumed. The global travel sentiment is expected to recover and turn around the Group's business when an effective COVID-19 vaccine becomes available to the public in the Groups' key tourist origin markets.

Hotels & Resorts Segment

Despite the temporary suspension of three out of the Group's four hotels and resorts due to the COVID-19 outbreak, the Group's management continues to closely monitor the situation and is prepared to reopen the Group's hotels and resorts as soon as the virus is under better control in key tourist origin markets and when the local regulations and market conditions allow the Group's hotels and resorts to reopen (except Fiesta Resort Guam which will reopen as Crowne Plaza Resort Guam after completion of the renovation and upgrade works in around mid-2021). The resumption of the flight schedules in key tourist origin markets to/from Saipan and Guam is also critical to the recovery of the Group's business operations.

Kanoa Resort in Saipan continues to support the local government to fight against COVID-19. As mentioned above, the emergency contract has been extended for another 90 days, subject to further adjustment by the CNMI Homeland Security and Emergency Management. It is expected that the revenue from Kanoa Resort during the extended period of the emergency contract will not be lower than that of the same period in the preceding year.

The Group is well prepared and hopes to take advantage of a potential rebound of the leisure travel market due to people's general pent-up desire to travel, and the Group also plans to aggressively market its hotels and resorts in target customer markets as soon as there is visibility on market resumption.

As mentioned in the Announcement of the Company issued on May 3, 2020, on May 1, 2020, the Group has entered into the Hotel Management Agreement in respect of Fiesta Resort Saipan with InterContinental Hotels Group (“IHG”), and Fiesta Resort Saipan is expected to be rebranded as Crowne Plaza Resort Saipan in around mid-2022. Leveraging on IHG's extensive hotel management experiences, membership program and loyalty customer base, as well as the brand recognition of the “Crowne Plaza” brand, particularly among mainland Chinese, Japanese and South Korean tourists, collaboration with IHG could elevate Fiesta Resort Saipan from the more competitive mid-market segment to the up-market segment to capture sophisticated tourists from the Group's major target customer markets.

As mentioned above and in the Announcement of the Company issued on May 28, 2020, the renovation project for Fiesta Resort Guam is ongoing and the current phase of the renovation and upgrade works have commenced in June 2020. The Group is on track to rebrand Fiesta Resort Guam to Crowne Plaza Resort Guam by mid-2021.

Luxury Travel Retail Segment

Before the outbreak of COVID-19, with the revival of the Japan market and the increasing tourist arrival numbers from South Korea, the Luxury Travel Retail Segment started the year nicely with a better clientele in both Saipan and Guam. However, after the outbreak of COVID-19, the Group's management has decided to temporarily suspend operations of all luxury travel retail boutiques in Saipan, Guam and Hawaii by late March 2020. Management continues to closely monitor the situation and is prepared to reopen the boutiques as soon as the virus is under better control locally and in key tourist origin markets, and when the local regulations and market conditions allow the Group's boutiques to re-open. Certain luxury travel retail boutiques located in Guam and Hawaii have resumed their operations in May and August 2020, respectively.

Despite the uncertainties of the COVID-19 situation, the Group's management is well prepared and expects to bolster the Group's revenue source as soon as the market resumes when the virus is under better control and the local regulations and measures are lifted. In order to expand the Group's footprint in Hawaii, management is seeking to identify strong retail spaces with good adjacencies and reasonable rental conditions for new retail stores. For Guam, management believes that the Group can improve profitability with an expansion into stronger retail spaces and thus lifting operating margins. As for Saipan, management believes that enhancing customers' overall shopping experience is the key to maximizing sales level.

Management will continue to implement cost saving measures during the temporary suspension period so as to mitigate the negative financial impact resulting from COVID-19.

Other plans and prospects

Furthermore, in order to maintain the Group's long-term growth and for the best interests of Shareholders, the Group's management will actively explore possible merger and acquisition opportunities. The Group's management believes that the downturn of the macro-economy as a result of the recent COVID-19 outbreak would increase the availability of favorable merger and acquisition deals in the market.

VIII. CONTINGENT LIABILITIES

As at June 30, 2020, the Group did not have any material contingent liabilities.

IX. EMPLOYEES AND EMOLUMENT POLICY

As at June 30, 2020, the Group had a total of 737 (June 30, 2019: 761) full-time employees, including 514 employed in Saipan, 200 employed in Guam, 19 employed in Hawaii and 4 employed in Hong Kong. As a responsible employer, the Group values employees as its most important asset and strives to provide an excellent working environment to employees. We 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. During the Reporting Period, the total staff costs (including directors' emoluments) amounted to US\$9.3 million (for the six months ended June 30, 2019: US\$11.8 million). The Company has adopted the Post-IPO Share Option Scheme on April 9, 2019 for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group. During the Reporting Period, no options were granted, exercised, cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at June 30, 2020.

X. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

XI. UPDATE ON THE USE OF PROCEEDS

The net proceeds from the Company's Listing was US\$39.4 million (equivalent to HK\$307.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 and supplemented by the 2019 Annual Report published on April 17, 2020. During the Reporting Period, US\$3.7 million of the net proceeds from the Listing had been utilized. The following table sets forth the use of proceeds by the Group as at June 30, 2020:

	Net proceeds from Listing US\$'000	Utilization as at June 30, 2020 US\$'000	Unutilized amount US\$'000
Asset rejuvenation plan	29,555	3,007	26,548
New travel retail boutiques	2,000	1,413	587
IT upgrades	2,000	569	1,431
Digital sales and marketing	2,000	203	1,797
General working capital	3,945	475	3,470
Total ^(b)	<u>39,400^(b)</u>	<u>5,667</u>	<u>33,733</u>

Notes:

- (a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (b) In respect of the amount of net proceeds from Listing, the exchange rate applied is US\$1.0 = HK\$7.8 and the amount in US\$ is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

Currently, the Group holds the unutilized net proceeds as deposit with creditworthy banks with no recent history of default.

XII. REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company consists of the Independent Non-Executive Directors, namely Mr. MA Andrew Chiu Cheung, Mr. CHAN Leung Choi Albert and Prof. CHAN Pak Woon David. Mr. MA Andrew Chiu Cheung is the Chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited condensed consolidated interim financial information for the Reporting Period with no disagreement.

Such unaudited condensed consolidated interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

XIII. INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Reporting Period.

XIV. CORPORATE GOVERNANCE PRACTICES

The Board has adopted the applicable code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules as its code of corporate governance. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

XV. MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. After having made specific enquiries to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the Reporting Period.

XVI. CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

During the Reporting Period, Dr. TAN Henry, Vice Chairman, Executive Director and Chief Executive Officer of the Group has been appointed as an Independent Non-Executive Director of SinoMedia Holding Limited (Stock Code: 623) with effect from June 9, 2020 for a term of three years. He has also been appointed as a member of its Nomination Committee.

During the Reporting Period, Mr. MA Andrew Chiu Cheung, Independent Non-Executive Director, has retired as an Independent Non-Executive Director of C.P. Pokphand Co. Ltd. (Stock Code: 43) and a member of its Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with effect from June 5, 2020.

XVII. DISCLOSURE OF INFORMATION ON THE COMPANY AND THE STOCK EXCHANGE'S WEBSITE

The interim report will be published on the websites of the Company (www.saileisuregroup.com) and the Stock Exchange (www.hkex.com.hk) in accordance with Rule 13.48(1) of the Listing Rules.

By order of the Board
TAN Henry
Vice Chairman,
Executive Director and Chief Executive Officer

Hong Kong, August 27, 2020

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.