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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1832)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

## GROUP FINANCIAL HIGHLIGHTS

| | **For the year ended December 31,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***US$'000*** | *US$'000* |
| Revenue | **36,847** | 15,751 |
| Operating loss | **(18,183)** | (12,472) |
| Loss attributable to owners of the Company | **(22,961)** | (11,425) |
| Profit margin (ratio of loss attributable to owners of the Company to revenue) | **-62.3%** | -72.5% |
| Basic loss per share *(US cents)* | **(6.4)** | (3.2) |

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2023 (the "**Year**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*YEAR ENDED DECEMBER 31, 2023*

| | Note | **2023** | 2022 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| Revenue | *4* | **36,847** | 15,751 |
| Cost of inventories sold | | **(4,594)** | (4,680) |
| Food and beverage costs | | **(3,188)** | (538) |
| Employee benefit expenses | | **(15,932)** | (7,383) |
| Utilities, repairs and maintenance | | **(6,172)** | (3,895) |
| Other gains, net | *5* | **62** | 2 |
| Other operating costs | | **(26,065)** | (11,194) |
| Other income/(expenses) | | **859** | (535) |
| **Operating loss** | | **(18,183)** | (12,472) |
| Finance income | *6* | **5** | 1 |
| Finance costs | *6* | **(4,886)** | (1,287) |
| Finance costs, net | *6* | **(4,881)** | (1,286) |
| **Loss before tax** | *7* | **(23,064)** | (13,758) |
| Income tax credit | *8* | **93** | 2,264 |
| **Loss for the year and total comprehensive loss for the year** | | **(22,971)** | (11,494) |
| **Loss and total comprehensive loss attributable to:** | | | |
| Shareholders of the Company | | **(22,961)** | (11,425) |
| Non-controlling interests | | **(10)** | (69) |
| | | **(22,971)** | (11,494) |
| **Loss per share attributable to shareholders of the Company** | | | |
| — Basic and diluted (US cents) | *10* | **(6.4)** | (3.2) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*DECEMBER 31, 2023*

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **130,042** | 130,164 |
| Investment properties | | **353** | 2,037 |
| Intangible assets | | **46** | 61 |
| Deferred tax assets | | **6,583** | 6,490 |
| Prepayments and deposits | | **1,131** | 1,301 |
| Total non-current assets | | **138,155** | 140,053 |
| **Current assets** | | | |
| Inventories | | **3,131** | 1,435 |
| Trade receivables | *11* | **5,579** | 9,275 |
| Prepayments, deposits and other receivables | | **3,354** | 1,718 |
| Amounts due from related parties | | **105** | 15 |
| Income tax recoverable | | **2,561** | 2,561 |
| Cash and cash equivalents | | **4,438** | 3,451 |
| Total current assets | | **19,168** | 18,455 |
| **Total assets** | | **157,323** | 158,508 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Issued share capital | | **461** | 461 |
| Share premium | | **38,122** | 38,122 |
| Capital reserve | | **27,006** | 27,006 |
| Other reserve | | **4,836** | 4,836 |
| (Accumulated losses)/retained earnings | | **(18,867)** | 4,094 |
| | | **51,558** | 74,519 |
| Non-controlling interests | | **(352)** | (342) |
| **Total equity** | | **51,206** | 74,177 |

| | Note | 2023 US$'000 | 2022 US$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other borrowings | | **20,500** | 1,800 |
| Lease liabilities | | **16,519** | 17,523 |
| Total non-current liabilities | | **37,019** | 19,323 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **14,112** | 10,077 |
| Bank borrowings | | **47,633** | 48,000 |
| Other borrowings | | **5,936** | 5,015 |
| Lease liabilities | | **917** | 1,268 |
| Amounts due to related parties | | **458** | 611 |
| Income tax payable | | **42** | 37 |
| Total current liabilities | | **69,098** | 65,008 |
| **Total liabilities** | | **106,117** | 84,331 |
| **Total equity and liabilities** | | **157,323** | 158,508 |

# NOTES TO FINANCIAL INFORMATION

## 1 Corporate and Group Information

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The shares of the Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since May 16, 2019 (the "**Listing**").

The Company is an investment holding company. During the year, the Company and its subsidiaries (together, the "**Group**") were principally engaged in (i) hotels and resorts operations in Saipan and Guam, (ii) travel retail business of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii and (iii) provision of destination services in Saipan and Guam.

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.

## 2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand except when otherwise indicated.

*Going concern*

As at December 31, 2023, the Group had net current liabilities of US$49,930,000 and incurred a net loss of US$22,971,000 for the year then ended. Included in its current liabilities was an interest-bearing term loan of US$42,633,000 and a revolving loan of US$5,000,000, both of which are repayable on demand, for the renovation and upgrade works of hotels in Guam and Saipan ("**Renovation**"), and its cash and cash equivalents amounted to approximately US$4,438,000.

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

(i) Pursuant to the terms and conditions of the facility with the bank, the Group will be subject to certain undertakings including but not limited to financial covenants. The Group closely monitors its compliance with the undertakings and financial covenants of the banking facility. As at December 31, 2023, the Group did not comply with a financial covenant of the banking facilities with an aggregate amount of US$48,000,000. Consent waiver of non-compliance to the financial covenant has been received by the Group subsequent to the year end date.

    Based on the latest communication between management and the bank regarding the compliance of undertakings and financial covenants, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment of the bank borrowing. The Group has also placed an aggregate amount of US$1,558,000 into its Debt Service Reserve Account with the bank, which is equivalent to six-month loan repayments (including interest payments and principal repayments). Furthermore, as the banking facility is fully secured by certain of the Group's hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track records and relationship the Group has with the bank;

(ii) The Group's hotels in Guam and Saipan operated throughout 2023. The hotels' performance is highly dependent on the international travel sentiments and the resumption of flights, the Group is cautiously optimistic that the leisure travel market and the Group's business operations is gradually recovering, and that the hotels are expected to generate operating cash inflows to the Group;

(iii) The Group will continue its efforts to generate sufficient cash flows from operating activities by implementing measures in expediting the collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group;

(iv) The Group has obtained shareholder loans facilities from Tan Holdings with an aggregate amount of US$28,000,000 of which US$26,000,000 was utilized by the Group as at December 31, 2023. Subsequent to the year end, the Group has utilized the remaining US$2,000,000 and obtained further shareholder loan facility of an amount of US$4,000,000 on February 29, 2024. Furthermore, Tan Holdings has committed to providing financial support to enable the Group to meet its liabilities when they fall due in the foreseeable future (at least twelve months from the date of the consolidated financial statements). Tan Holdings has undertaken not to demand repayment of the amount due to it by the Group until the Group is in a position to repay without impairing its liquidity and financial position; and

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

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from December 31, 2023. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due for a period of not less than twelve months from December 31, 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

The Group's ability to generate sufficient cash flows to continue as a going concern may be subject to a significant uncertainty and will depend on the successful outcome of the above plans and measures. Should the Group be unable to achieve the above plans and measures so as to continue as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

*Basis of consolidation*

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial information.

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to HKAS 12 | *International Tax Reform — Pillar Two Model Rules* |

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 and 3 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition, or presentation of any items in the Group's financial information.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial information.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of amendments to HKAS 12 did not have any significant impact on the Group's financial information.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 3 Segment information

The executive directors of the Company have been identified as the Group's chief operating decision-maker (the "**CODM**"). The CODM has determined the operating segments based on the reports reviewed by them that are used to make strategic decisions and resources allocation. For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

(a) Hotels and resorts: operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam (the "**Hotels & Resorts Segment**");

(b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii (the "**Luxury Travel Retail Segment**");

(c) Destination services: provision of destination activities in Saipan and Guam including (i) operation of souvenir and convenience stores in Saipan and Guam; (ii) excursion tour operation in Saipan; and (iii) provision of land arrangement and concierge services in Saipan (the "**Destination Services Segment**").

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that other gains, net, finance income, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets and liabilities information is not disclosed as they are not regularly reviewed by the CODM.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The segment information provided to the Group's CODM for the reportable segments for the years ended December 31, 2023 and 2022 are as follows:

| | Hotels and resorts | | Luxury travel retail | | Destination services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| Segment revenue | | | | | | | | |
| Sales to external customers | **28,194** | 8,060 | **7,948** | 7,448 | **705** | 243 | **36,847** | 15,751 |
| Intersegment sales | **65** | 13 | **—** | — | **—** | — | **65** | 13 |
| Total segment revenue | **28,259** | 8,073 | **7,948** | 7,448 | **705** | 243 | **36,912** | 15,764 |
| Reconciliation: | | | | | | | | |
| Elimination of intersegment sales | | | | | | | **(65)** | (13) |
| | | | | | | | **36,847** | 15,751 |
| Segment results | **(16,036)** | (10,064) | **64** | (146) | **(450)** | (449) | **(16,422)** | (10,659) |
| Other gains, net | | | | | | | **62** | 2 |
| Corporate and other unallocated expenses | | | | | | | **(1,823)** | (1,815) |
| Finance income | | | | | | | **5** | 1 |
| Finance costs | | | | | | | **(4,886)** | (1,287) |
| **Loss before tax** | | | | | | | **(23,064)** | (13,758) |
| Income tax credit | | | | | | | **93** | 2,264 |
| **Loss for the year** | | | | | | | **(22,971)** | (11,494) |

| | Hotels and resorts | | Luxury travel retail | | Destination services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 | **2023** | 2022 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| **Other segment information:** | | | | | | | | |
| Depreciation of property, plant and equipment: | | | | | | | | |
| Segment assets | **10,281** | 3,464 | **499** | 643 | **48** | 41 | **10,828** | 4,148 |
| Unallocated assets | | | | | | | **1** | 11 |
| | | | | | | | **10,829** | 4,159 |
| Depreciation of investment properties | **18** | 98 | **–** | – | **–** | – | **18** | 98 |
| Amortization of intangible assets | **17** | 37 | **1** | 12 | **–** | – | **18** | 49 |
| Reversal of provision of obsolete inventories | **–** | – | **(859)** | – | **–** | – | **(859)** | – |
| Impairment of trade receivables | **–** | – | **–** | – | **–** | 5 | **–** | 5 |
| Write-off of property, plant and equipment and investment properties | **–** | 530 | **–** | – | **–** | – | **–** | 530 |
| Capital expenditure*: | | | | | | | | |
| Segment assets | **8,750** | 32,452 | **124** | 218 | **241** | 46 | **9,115** | 32,716 |

* Capital expenditure consists of addition of property, plant and equipment, investment properties and intangible assets except right-of-use assets.

Set out below is the disaggregation of the Group's revenue:

**Year ended December 31, 2023**

| **Segments** | **Hotels and resorts** *US$'000* | **Luxury travel retail** *US$'000* | **Destination services** *US$'000* | **Total** *US$'000* |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Room charge | **19,287** | **—** | **—** | **19,287** |
| — Food and beverage | **8,175** | **—** | **—** | **8,175** |
| — Sale of luxury and leisure clothing and accessories | **—** | **7,948** | **—** | **7,948** |
| — Sale of souvenirs and others | **—** | **—** | **606** | **606** |
| — Operating excursion tour and rendering of land arrangement services | **—** | **—** | **99** | **99** |
| — Other hospitality | **570** | **—** | **—** | **570** |
| Total revenue from contracts with customers | **28,032** | **7,948** | **705** | **36,685** |
| *Revenue from other sources* | | | | |
| — Rental income | **162** | **—** | **—** | **162** |
| Total revenue | **28,194** | **7,948** | **705** | **36,847** |

| Segments | Hotels and resorts<br>*US$'000* | Luxury travel retail<br>*US$'000* | Destination services<br>*US$'000* | Total<br>*US$'000* |
|---|---|---|---|---|
| **Geographical markets** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Saipan | **10,241** | **1,369** | **657** | **12,267** |
| — Guam | **17,791** | **4,757** | **48** | **22,596** |
| — Hawaii | **—** | **1,822** | **—** | **1,822** |
| Total revenue from contracts with customers | **28,032** | **7,948** | **705** | **36,685** |
| *Revenue from other sources* | | | | |
| — Rental income | **162** | **—** | **—** | **162** |
| Total revenue | **28,194** | **7,948** | **705** | **36,847** |
| **Timing of revenue recognition** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Goods transferred at a point in time | **8,745** | **7,948** | **606** | **17,299** |
| — Services transferred over time | **19,287** | **—** | **99** | **19,386** |
| Total revenue from contracts with customers | **28,032** | **7,948** | **705** | **36,685** |
| *Revenue from other sources* | | | | |
| — Rental income | **162** | **—** | **—** | **162** |
| Total revenue | **28,194** | **7,948** | **705** | **36,847** |

**Year ended December 31, 2022**

| Segments | Hotels and resorts *US$'000* | Luxury travel retail *US$'000* | Destination services *US$'000* | Total *US$'000* |
|---|---|---|---|---|
| **Types of goods or services** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Room charge | 6,555 | — | — | 6,555 |
| — Food and beverage | 1,386 | — | — | 1,386 |
| — Sale of luxury and leisure clothing and accessories | — | 7,448 | — | 7,448 |
| — Sale of souvenirs and others | — | — | 228 | 228 |
| — Operating excursion tour and rendering of land arrangement services | — | — | 15 | 15 |
| — Other hospitality | 30 | — | — | 30 |
| Total revenue from contracts with customers | 7,971 | 7,448 | 243 | 15,662 |
| *Revenue from other sources* | | | | |
| — Rental income | 89 | — | — | 89 |
| Total revenue | 8,060 | 7,448 | 243 | 15,751 |
| **Geographical markets** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Saipan | 7,445 | 891 | 243 | 8,579 |
| — Guam | 526 | 4,943 | — | 5,469 |
| — Hawaii | — | 1,614 | — | 1,614 |
| Total revenue from contracts with customers | 7,971 | 7,448 | 243 | 15,662 |
| *Revenue from other sources* | | | | |
| — Rental income | 89 | — | — | 89 |
| Total revenue | 8,060 | 7,448 | 243 | 15,751 |

| Segments | Hotels and resorts *US$'000* | Luxury travel retail *US$'000* | Destination services *US$'000* | Total *US$'000* |
|---|---|---|---|---|
| **Timing of revenue recognition** | | | | |
| *Revenue from contracts with customers* | | | | |
| — Goods transferred at a point in time | 1,416 | 7,448 | 228 | 9,092 |
| — Services transferred over time | 6,555 | — | 15 | 6,570 |
| Total revenue from contracts with customers | 7,971 | 7,448 | 243 | 15,662 |
| *Revenue from other sources* | | | | |
| — Rental income | 89 | — | — | 89 |
| Total revenue | 8,060 | 7,448 | 243 | 15,751 |

## 4 Revenue

An analysis of revenue is as follows:

| | **2023** *US$'000* | 2022 *US$'000* |
|---|---|---|
| *Revenue from contracts with customers* | | |
| Hotels and resorts operations | **28,032** | 7,971 |
| Luxury retail, souvenir and convenience stores operations | **8,554** | 7,676 |
| Excursion tour services | **99** | 15 |
| | **36,685** | 15,662 |
| *Revenue from other sources* | | |
| Rental income | **162** | 89 |
| | **36,847** | 15,751 |

## 5 Other gains, net

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Net exchange gains | **2** | 2 |
| Gains on disposal of low-value assets | **60** | — |
| | **62** | 2 |

## 6 Finance costs, net

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Finance income: | | |
| — Interest income from bank deposits | **5** | 1 |
| Finance costs: | | |
| — Interest expenses on lease liabilities | **(862)** | (906) |
| — Interest expenses on Paycheck Protection Program loans, net of amounts forgiven | **(2)** | 32 |
| — Interest expenses on bank borrowings | **(3,586)** | (1,450) |
| — Interest expenses on other borrowings | **(436)** | (15) |
| | **(4,886)** | (2,339) |
| Less: Amounts capitalized in the property, plant and equipment | **—** | 1,052 |
| | **(4,886)** | (1,287) |
| Finance costs, net | **(4,881)** | (1,286) |

## 7 Loss before tax

The Group's loss before tax is arrived at after charging:

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Cost of inventories sold | **4,594** | 4,680 |
| Food and beverage costs | **3,188** | 538 |
| Employee benefit expenses (including directors' remuneration): | | |
| Wages, salaries and other benefits | **15,883** | 7,325 |
| Pension scheme contributions (defined contribution scheme)** | **49** | 58 |
| | **15,932** | 7,383 |
| Lease payment not included in the measurement of lease liabilities | **1,029** | 786 |
| Depreciation of property, plant and equipment | **10,829** | 4,159 |
| Depreciation of investment properties | **18** | 98 |
| Amortization of intangible assets*** | **18** | 49 |
| Impairment of trade receivables* | **—** | 5 |
| Reversal of provision for obsolete inventories* | **(859)** | — |
| Write-off of property, plant and equipment and investment properties* | **—** | 530 |
| Auditors' remuneration | **218** | 220 |

* These items are included in "Other income/(expenses)" in the consolidated statement of profit or loss and other comprehensive income.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** This item is included in "Other operating costs" in the consolidated statement of profit or loss and other comprehensive income.

## 8 Income tax credit

No provision for Hong Kong, the Commonwealth of Northern Mariana Islands (the "**CNMI**"), Guam and Hawaii profits tax has been made for the year ended December 31, 2023 as the Group did not generate any assessable profits arising in Hong Kong, the CNMI, Guam and Hawaii during the Year (2022: Nil).

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current: | | |
| Over-provision in prior years | **—** | 115 |
| Deferred | **93** | 2,149 |
| | **93** | 2,264 |

## 9 Dividend

The board of directors does not recommend the payment of any dividend for the year ended December 31, 2023 (2022: Nil).

## 10 Loss per share attributable to shareholders of the Company

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of US$22,961,000 (2022: US$11,425,000), and the weighted average number of ordinary shares of 360,000,000 (2022: 360,000,000) in issue during the Year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended December 31, 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during each of the years ended December 31, 2023 and 2022.

## 11 Trade receivables

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade receivables *(Note)* | **6,290** | 9,986 |
| Impairment | **(711)** | (711) |
| | **5,579** | 9,275 |

*Note:*

The Group's sale to tour operators on a wholesale basis, traditional travel agents and several corporate customers are mainly on credit and the credit term is generally 30 days from the invoice date. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The aging analysis of the trade receivables as at December 31, 2023 and 2022, based on invoice date and net of loss allowance, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **342** | 62 |
| 31 to 60 days | **33** | 41 |
| 61 to 90 days | **72** | 4 |
| Over 90 days | **5,132** | 9,168 |
| | **5,579** | 9,275 |

## 12 Trade and other payables

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | | |
| — to third parties *(Note (a))* | **2,811** | 995 |
| — to related parties *(Note (b))* | **572** | 165 |
| Total trade payables | **3,383** | 1,160 |
| Accruals and other payables | | |
| — Accrued staff salaries | **553** | 597 |
| — Other taxes payable | **1,432** | 1,230 |
| — Other accruals and payables | **6,612** | 4,958 |
| — Payables for purchase of property, plant and equipment | **2,132** | 2,132 |
| | **10,729** | 8,917 |
| | **14,112** | 10,077 |

*Notes:*

(a) Trade payables to third parties

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

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **1,536** | 856 |
| 31 to 60 days | **495** | 102 |
| 61 to 90 days | **305** | 6 |
| Over 90 days | **475** | 31 |
| | **2,811** | 995 |

(b) Trade payables to related parties

As at December 31, 2023 and 2022, the trade payables to related parties are unsecured, interest-free and with credit term of 30 days.

The aging analysis of trade payables due to related parties based on invoice date is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **114** | 4 |
| 31 to 60 days | **56** | 9 |
| 61 to 90 days | **59** | 3 |
| Over 90 days | **343** | 149 |
| | **572** | 165 |

The carrying amounts of trade and other payables approximate their fair values and are denominated in the following currencies:

| | **2023** | 2022 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| US$ | **13,795** | 9,711 |
| HK$ | **317** | 366 |
| | **14,112** | 10,077 |

## 13 Event after the reporting period

On February 29, 2024, the Group entered into a loan agreement with Tan Holdings for loan facility of US$4,000,000. The loan is unsecured, interest-bearing at 5.0% per annum and repayable in 2 years from the date of the loan draw down.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Overview

Despite the fact that economic and geopolitical difficulties still prevailed around the world, the global recovery of the travel and tourism industry continued at pace in 2023, demonstrating the resilience of the sector and people's enduring desire to travel. The continuous reopening of China's borders to the globe from the start of 2023 made a big step in expediting the recovery of the tourism industry. Currently, people around the globe have conformed to "co-living" with COVID-19 and the travel restrictions and/or quarantine requirements of all countries have been eliminated, making travel effortless for both business and leisure travelers.

In 2023, the travel and tourism industry in Guam and Saipan witnessed a progressive recovery. For the year of 2023, Guam recorded over 656,000 visitor arrivals, which was double the visitor arrivals of 2022 and approximately 39.4% of the visitor arrivals of 2019 (pre-pandemic). On the other hand, Saipan recorded over 215,000 visitor arrivals in 2023, which was approximately 2.2 times the visitor arrivals of 2022 and approximately 44.3% of the visitor arrivals of 2019 (pre-pandemic).

Among our key tourist origin markets, South Korea continues to be the top tourist origin market of both Guam (56.6% of total visitor arrivals of 2023) and the CNMI (82.3% of total visitor arrivals of 2023). With effect from March 11, 2023, the government of South Korea has scrapped COVID-19 testing requirements for international entrants upon their arrival in South Korea, this precipitated the recovery of outbound travel for the South Koreans. Besides, in early June 2023, the CNMI governor and representatives of the Marianas Visitors Authority (the "**MVA**") has reaffirmed ties and collaboration with key tourism partners in South Korea, including but not limited to travel agencies, airlines and government departments, which further intensified the continuous recovery of the South Korea market.

With effect from April 29, 2023, the Japanese government ended its border control measures, making international travel easier in terms of national regulations. However, recovery in outbound travelers has been sluggish due to inflations, weakened currency and ongoing uncertainty in the economic situation. The continued extension of the government-backed National Travel Discount program in Japan suppressed the international travel sentiments of the Japanese. For the Year, the cumulative visitor arrivals from Japan to Guam was approximately 137,000 visitors, representing 20.8% of total visitor arrivals of 2023.

During the Year, Kanoa Resort remained closed, and the Group is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort in order for it to be reopened as "voco Resort Saipan" in the future. On the other hand, Crowne Plaza Resort Guam, Crowne Plaza Resort Saipan and Century Hotel continued to be open for business throughout the Year. All luxury travel retail boutiques in Guam, Hawaii and Saipan as well as one of the Group's three excursion tours continued to be open for business during the Year. Furthermore, in August 2023, a new convenience store was opened within the hotel premises of Crowne Plaza Resort Guam, marking the expansion of the Group's destination services businesses from Saipan to Guam.

Typhoon Mawar lashed Guam for hours on the night of May 24, 2023. Being the strongest storm that hit Guam since 2002, Typhoon Mawar damaged the structure of buildings, cutting electricity and access to water for most areas of Guam. Crowne Plaza Resort Guam managed to remain in operation after the typhoon hit with no major damage to the structure of the hotel property. On the contrary, all luxury travel retail boutiques of the Group in Guam were closed for a month after the typhoon hit and could resume operation only in the week of June 26, 2023.

**Revenue and Operating Loss**

For the Year, the Group recorded a revenue of approximately US$36,847,000, representing an increase of US$21,096,000 from approximately US$15,751,000 in the preceding year. The total revenue from our Guam businesses increased by 312.7% whilst that of Saipan businesses increased by 43.2% when compared to the preceding year. The substantial increase in revenue was mainly due to the resumption of operation of both Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan throughout the Year.

Resumption of the operation of both Crowne Plaza resorts of the Group attributed to a significant increase in certain hotel operating expenses. In particular, there was a sharp increase in (i) utilities and operating expenses and (ii) staff costs as both Crowne Plaza resorts maintained a full team of staff since their respective reopening dates in view of operational needs, whilst in the preceding year, both resorts only maintained a full team in the last month of the year.

In view of the increase in operating expenses, the Group recorded an operating loss of US$18,183,000 for the Year (2022: US$12,472,000). The said operating loss has taken into account, amongst others, the recognition of depreciation and amortization expenses (non-cash items) relating to the Group's assets of approximately US$10,865,000 (2022: US$4,306,000).

Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

## Segmental Review

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 76.5%, 21.6% and 1.9% respectively of the Group's total revenue for the Year.

### *Hotels & Resorts Segment*

During the Year, the Hotels & Resorts Segment generated total revenue of US$28,194,000, representing an increase of US$20,134,000 or 249.8% when compared to the full year in 2022. The substantial increase in revenue was mainly due to the resumption of operations of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan, which contributed an increase in revenue by approximately US$17,343,000 and approximately US$9,109,000, respectively. Being the newly renovated resorts on the islands, both Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan kept ramping up their operations and competing for their share of the recovering tourism markets in Guam and Saipan throughout the Year. Revenues from Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan were limited during the first half of the Year as the return of tourists was sluggish as travel restrictions were being still imposed in our major tourist origin markets. On the other hand, no revenue was generated by Kanoa Resort (to be renovated and rebranded as "voco Resort Saipan") in 2023 (2022: US$6,222,000) as it remained temporarily closed since July 2022 after completion of the emergency contract with the CNMI Homeland Security and Emergency Management. As a result, the increase in revenue was not sufficient to offset the significant increase in operating expenses due to the resumption of the hotels' operations.

Having said that, management of the Group continued to implement effective cost-saving measures and adjust operation strategies with IHC Hotel Limited (the "**Hotel Manager**") to alleviate the negative financial impact during the ramp-up period of the two Crowne Plaza resorts and the temporary closure of Kanoa Resort as well as to improve the hotels' operation efficiency. For the Year, the negative segmental operating margin was mainly attributable to (1) an increase in the staff cost and operating expenses in view of the full resumption of operations of Crowne Plaza Resort Saipan (throughout the Year) and Crowne Plaza Resort Guam (since March 2023); and (2) the recognition of depreciation and amortization expenses (non-cash items) under the Hotels & Resorts Segment of approximately US$10,316,000.

*Crowne Plaza Resort Guam*

The asset rejuvenation and rebranding works under the hotel management agreement with the Hotel Manager was completed early this Year and the grand opening of Crowne Plaza Resort Guam was held on March 28, 2023. For the Year, revenue from Crowne Plaza Resort Guam increased by US$17,343,000, representing an increase of 3,102.5% as compared to the preceding year and equivalent to approximately 88.8% of the revenue of Fiesta Resort Guam (now rebranded as Crowne Plaza Resort Guam) for the year of 2019 (pre-pandemic).

Being a newly renovated resort on the island, Crowne Plaza Resort Guam kept ramping up its operation and competing for its share of the recovering tourism markets in Guam throughout the Year. The Group benefits from the use of the InterContinental Hotels Group's booking engines and enjoys the InterContinental Hotels Group's marketing and operational support. With the support from the U.S. market and the recovery of tourist arrivals from South Korea and Japan, Crowne Plaza Resort Guam was able to achieve positive gross operating profit in the Year. Strategies have been adjusted to improve the hotel's operation efficiency as well as optimizing our sales channels and business mix, which grows our average room rate, enhances customers' loyalty and reduces the cost of sales and reliance on wholesales agents.

On May 24, 2023, Typhoon Mawar lashed Guam for hours, damaging buildings, cutting electricity and access to water for most areas of Guam. Crowne Plaza Resort Guam managed to remain in operation after the typhoon hit with no major damage to the structure of the hotel property.

*Crowne Plaza Resort Saipan*

Similarly, the asset rejuvenation and rebranding works under the hotel management agreement with the Hotel Manager for Crowne Plaza Resort Saipan was completed in October 2022 and the grand opening of the resort was held on October 31, 2022. For the Year, revenue from Crowne Plaza Resort Saipan increased by US$9,109,000, representing an increase of 981.6% as compared to the preceding year and equivalent to approximately 33.9% of the revenue of Fiesta Resort Saipan (now rebranded as Crowne Plaza Resort Saipan) for the year of 2019 (pre-pandemic).

Being the newest hotel in town, Crowne Plaza Resort Saipan also kept ramping up its operation and competing for its share of the recovering tourism markets in Saipan throughout the Year. On August 10, 2023, the Ministry of Culture and Tourism of the People's Republic of China (the "**PRC**") announced the resumption of group tours to various overseas destinations, particularly the CNMI. Having said that, in order to speed up the return of tourists from China, the resumption of flights between certain PRC cities with Saipan is pivotal. The Group's management is endeavoring to facilitate the process and is working with various airlines to prepare for the resumption of flights between certain PRC cities and Saipan.

*Kanoa Resort*

In July 2022, Kanoa Resort completed the emergency contract with the CNMI Homeland Security and Emergency Management and remained closed since then. On December 29, 2020, the Group had entered into the hotel management agreement with the Hotel Manager, pursuant to which Kanoa Resort will be rebranded as “voco Resort Saipan” after the completion of the renovation and rebranding works contemplated under the hotel management agreement. The Group is now in the process of carrying out planning and design works for the renovation and rebranding of the hotel.

***Luxury Travel Retail Segment***

For the Year, revenue from the Luxury Travel Retail Segment was US$7,948,000, representing an increase of US$500,000 or 6.7% as compared to the preceding year of US$7,448,000. The increase in the revenue was mainly due to (1) the increase in tourist arrivals in Guam and Saipan; and (2) the resumption of the operation of the remaining three luxury travel retail boutiques in Saipan. Such increase was offset by the one-month business interruption caused by Typhoon Mawar on the Group’s luxury travel retail boutiques in Guam.

On the night of May 24, 2023, Typhoon Mawar lashed Guam for a few hours, damaging buildings, cutting electricity and access to water for most areas of Guam. The Group’s luxury travel retail boutiques in Guam resumed its operation under normal business hours on a daily basis from the start of 2023, have closed since the typhoon hit and was able to reopen in the week of June 26, 2023 after the city restored. During the Year, the Group’s luxury travel retail boutiques in Hawaii and two out of the Group’s five luxury travel retail boutiques in Saipan continued to operate under normal business hours on a daily basis. The remaining three out of the Group’s five luxury travel retail boutiques in Saipan resumed operation under normal business hours in August, September and October, respectively.

For the twelve months ended December 31, 2023, the Luxury Travel Retail Segment turned the segmental operating margin to positive. In order to alleviate the negative financial impact on the segmental results, the management of the Group continued to implement effective cost-saving measures as well as to review cautiously and eliminate loss-making brands. During the Year, two out of the Group’s nine brands closed their boutiques in Guam, which mitigated the negative financial and operational impacts on the Luxury Travel Retail Segment. On the other hand, in order to improve the segmental profitability, four out of the Group’s nine brands relocated their boutiques in Guam to a mall with stronger retail spaces. Depreciation and amortization expenses (non-cash items) recognized during the Year under the Luxury Travel Retail Segment was approximately US$500,000.

### *Destination Services Segment*

For the Year, revenue from the Destination Services Segment was US$705,000, representing an increase of US$462,000 or 190.1% as compared to the preceding year. The increase in the revenue was mainly contributed by the resumption of operation of the Group's convenience store, which is located within the hotel premises of Crowne Plaza Resort Saipan. The newly renovated convenience store occupies a more spacious retail area and offers hotel guests commodities in more varieties. In August 2023, the Group's destination services businesses expanded to Guam and newly opened a convenience store, which is located within the hotel premises of Crowne Plaza Resort Guam. On the other hand, the gradual business resumption of one of the Group's three excursion tours and the launch of new excursion tours during the Year also contributed to the increase in revenue.

For the twelve months ended December 31, 2023, the segmental loss of the Destination Services Segment was US$450,000, which is similar to the preceding year. The management of the Group is cautiously optimistic that the performance of the Destination Services Segment could be improved upon the increase in the volume of transactions as a result of the progressive recovery of the tourist market. Depreciation and amortization expenses (non-cash items) recognized during the Year under the Destination Services Segment was approximately US$48,000.

## Acquisitions and Investments

During the Year, the Group did not make any material acquisitions and disposals of subsidiaries, associates, or joint ventures.

The Group had no significant investments held during the Year.

## Events Subsequent to the End of the Financial Year

Stepping into 2024, the recovery of international tourism is at pace and industry experts are expecting the global tourism industry to resume back to the pre-pandemic levels with little growth by the end of 2024.

Subsequent to the end of the Year, the Group continues its efforts to expand its share of the recovering tourism markets in Guam and Saipan, improve the operation efficiency of both Crowne Plaza resorts and to promote the food and beverage ("**F&B**") business of Crowne Plaza Resort Guam. Century Hotel remains open for business whilst Kanoa Resort remains closed. The Group is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort in order for it to be reopened as "voco Resort Saipan" in the future.

All luxury travel retail boutiques in Guam, Saipan and Hawaii have resumed daily operation under normal business hours on a daily basis. Subsequent to the end of the Year, the franchise agreement signed by the Group with one of the brands expired on January 31, 2024. Under mutual agreement, the term of the franchise agreement further extended for one month and finally completed on February 29, 2024. As of the date of this announcement, the Group has a total of seven renowned brands and operates a total of twelve boutiques in Guam, Saipan and Hawaii.

For the Destination Services Segment, convenience stores located within the hotel premises of each of the Crowne Plaza resorts and one of the Group's three excursion tours as well as certain new excursion tours, which launched during the Year, continue to operate in 2024.

**Future Plans and Market Prospects**

Research showed that international tourism is expected to fully recover to pre-pandemic levels by the end of 2024, with initial estimates pointing to 2.0% growth above 2019 levels. Such forecast remains subject to the pace of recovery in Asia and to the evolution of existing economic and geopolitical downside risks.

Stepping into 2024, tourist arrivals in the CNMI continues to grow. According to the MVA, the total tourist arrivals to the CNMI increased 91.7% to 23,840 visitors in January 2024 as compared to the same period in 2023. Visitor arrivals from South Korea registered 16,770 visitors in January 2024, representing a 66.0% increase as compared to the same period in 2023. Currently, direct flight service is provided from Seoul by three airlines, whilst one of the three airlines has announced that it will extend the operation of its Incheon-Saipan route beyond March. Besides, in February 2024, another airline operated 10 additional charter flights to meet the high seat demand during the Lunar New Year holiday period, which boosted the occupancy rate of Crowne Plaza Resort Saipan. Whilst South Korea monopolized to be the top tourist origin market in Saipan, the return of tourists from our two other key tourist origin markets are sluggish. The continuous weakened currency as well as the uncertainty in the economic situation retarded the return of Japanese tourists. On the other hand, China arrivals to the CNMI are mostly free individual travelers ("**FITs**") arriving via Seoul or Tokyo. In order to speed up the return of tourists from China, the resumption of flights between certain PRC cities with Saipan is pivotal. As of the date of this announcement, it was confirmed that one airline will launch its direct flight from Hong Kong to Saipan with effect from April 28, 2024. The Group's management is endeavoring to facilitate the resumption of flights between certain PRC cities and Saipan.

For Guam, the Guam Visitors Bureau is projecting a robust 1.1 million visitor arrivals in the fiscal year 2024. In 2023, the return of tourists from South Korea was on track and coupled with the support of U.S. market, the recovery momentum of Guam is above par. Tourist arrivals in January 2024 increased by 38.0% as compared to the same period in 2023. South Korea continues to be the top tourist origin market; whilst the tourist arrivals from Japan has a big jump in January 2024 showing an increase of 295.6% as compared to the same period in 2023. Based on latest economic data, the economy of Japan is recovering moderately despite the fact that its currency stays weak. With the government-backed National Travel Discount program gradually fading out, it is foreseeable that once the economy of Japan recovers to a satisfactory level, the international travel sentiments will be regained.

***Hotel & Resorts Segment***

As of the date of this announcement, the Hotel Manager of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan continues its efforts to expand the hotels' share of the recovering tourism markets in Guam and Saipan, improve the operation efficiency of both Crowne Plaza resorts and to promote the F&B business of Crowne Plaza Resort Guam.

As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager and Kanoa Resort will be rebranded as "voco Resort Saipan" after the completion of renovation and rebranding works. As of the date of this announcement, Kanoa Resort remains closed. Due to the level of capital commitment required for carrying out the relevant works and in view of the fact that the Saipan tourism market is still picking up, the management of the Group is taking a cautious approach, and the date of commencement of the renovation and rebranding works is yet to be confirmed.

The capital expenditure to be incurred in respect of the renovation and upgrade works of Kanoa Resort will be funded partly by the Group's internal resources and partly by external financing.

With the InterContinental Hotels Group managing Crowne Plaza Resort Guam, Crowne Plaza Resort Saipan and Kanoa Resort (after its rebranding as "voco Resort Saipan"), our management expects that this will create positive synergy among the three major hotels of the Group when the leisure travel market fully recovers.

***Luxury Travel Retail Segment***

Supported by the military build-up and the gradual return of tourists, the resumption of the local economy of Guam is above par. The Group's management continues to relocate the boutiques in Guam to stronger retail spaces with the view of improving the segmental profitability. As of the date of this announcement, three out of the six boutiques newly relocated to stronger retail spaces and operate under normal business hours. Two out of the six new retail spaces are under renovation and the Group's management expects to move into the new retail spaces in the second half of 2024. The capital expenditure to be incurred in respect of the renovation of the new retail spaces will be funded partly by the landlord's sponsorship, partly by the brand owner's sponsorship and partly by the Group's internal resources. For Saipan, all the Group's luxury travel retail boutiques will continue to operate under normal business hours.

***Other plans and prospects***

To maintain the Group's long-term growth and for the best interests of the Group and the shareholders of the Company as a whole, the Group's management continues to explore possible merger and acquisition opportunities.

**Investor Relations and Communications**

The Group acknowledges the importance of communication with our Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews. Each year, an annual general meeting will be called by giving not less than 20 clear business days' notice and the Directors will be available at the annual general meeting to answer questions on the Group's business.

The Group encourages two-way communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases to inform investors of our latest development. The Group regularly updates its corporate information on the Company's website (www.saileisuregroup.com) in both English and Chinese.

**Contingent Liabilities**

As at December 31, 2023 and 2022, the Group did not have any material contingent liabilities.

**Liquidity, Financial Resources and Capital Structure**

During the Year, both Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan kept ramping up their operations and competing for their share of the recovering tourism markets in Guam and Saipan. Management of the Group's luxury travel retail business continued to implement effective cost-saving measures as well as relocate their boutiques in Guam with stronger retail spaces to improve the segmental margin. The financial position of the Group remained healthy throughout the Year. The Group generally finances its operations with internally generated cash flows, proceeds from the Company's listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEx**") on May 16, 2019 (the "**Listing**"), shareholder's loans and external financing. As at December 31, 2023, the total amount of cash and bank deposits of the Group was approximately US$4,438,000, which is slightly increased as compared to that as at December 31, 2022.

During the Year, the Group continues to use internally generated cash flows, proceeds from the Listing and shareholder's loan to finance the asset rejuvenation plan of the Group. As at December 31, 2023, the full amount of the banking facilities were drawn to finance the renovation and upgrade works carried out to Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan. During the Year, the total capital expenditure for the asset rejuvenation plan was approximately US$8,702,000.

As at December 31, 2023, the Group had an interest-bearing term loan of US$42,633,000 (As at December 31, 2022: US$43,000,000) and a revolving loan of US$5,000,000 (As at December 31, 2022: US$5,000,000). The relevant banking facilities were fully drawn down as at December 31, 2023. Based on the scheduled repayments set out in the relevant banking facility letter, the maturity profile of the term loan is spread over a period of five years, with approximately US$367,000 was repaid during the Year, approximately US$3,133,000 repayable in the second year, approximately US$4,300,000 repayable in the third year, approximately US$15,833,000 repayable in the fourth year, and approximately US$19,367,000 repayable within the fifth year.

On August 30, 2022, the Group entered into a loan agreement with Tan Holdings Corporation ("**Tan Holdings**") for a loan facility of US$5,000,000. The loan is unsecured, interest-bearing at 2.0% per annum and repayable in 1 year from the date of the loan agreement. As at December 31, 2023, the full amount of the loan facility had been drawn down by the Company and, on June 30, 2023, Tan Holdings has confirmed to grant an extension of 2 years to the repayment term of this loan facility. On December 16, 2022, the Group entered into a second loan agreement with Tan Holdings for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2.0% per annum and repayable in 2 years from the date of the loan agreement. As at December 31, 2023, the full amount of the loan facility had been drawn down by the Company. On February 28, 2023, the Group entered into a third loan agreement with Tan Holdings for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2.0% per annum and repayable in 2 years from the date of the loan agreement. As at December 31, 2023, the full amount of the loan facility had been drawn down by the Company. Further on August 1, 2023, the Group entered into a fourth loan agreement with Tan Holdings for a loan facility of US$7,000,000. The loan is unsecured, interest-bearing at 5.0% per annum and repayable in 2 years from the date of the loan agreement. As at December 31, 2023, an amount of US$5,000,000 had been drawn down by the Company.

Subsequent to the year end, the Group entered into a fifth loan agreement with Tan Holdings on February 29, 2024 for a loan facility of US$4,000,000. The loan is unsecured, interest-bearing at 5.0% per annum and repayable in 2 years from the date of the loan draw down.

The Directors are of the view that the Group has adequate liquidity to meet its expected working capital requirements and capital expenditure requirements in the coming twelve months from December 31, 2023.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of respective years and multiplied by 100%. As at December 31, 2023, the gearing ratio of the Group was 93.0% (2022: 64.7%).

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

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

**Charge on Assets**

As at December 31, 2023 and 2022, the Group had aggregate banking facilities of US$48,000,000 and US$48,000,000, respectively, which were fully utilized and were secured by certain buildings and investment properties owned by the Group.

**Foreign Exchange Risk Management**

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in United States dollars ("**US Dollars**"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2023, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are also primarily denominated in US Dollars. Therefore, the Group's foreign exchange risk is insignificant.

**Employees and Emolument Policy**

As at December 31, 2023, the Group had a total of 402 (2022: 372) full-time employees, including 185 employed in Saipan, 204 employed in Guam, 8 employed in Hawaii and 5 employed in Hong Kong. During the Year, all luxury travel retail boutiques in Saipan have resumed their operations on a daily basis, and Crowne Plaza Resort Saipan as well as Crowne Plaza Resort Guam have re-opened in the last quarter of 2022, driving a continuous increase in the number of headcounts since the beginning of the Year and maintained full team throughout the Year in view of the operation needs. As a responsible employer, the Group continues to value our employees and continues to strive to provide an excellent working environment. We have complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to approximately US$15,932,000 (2022: US$7,383,000). On April 9, 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group.

**Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed Shares during the Year.

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Company's Listing was US$39,400,000 (equivalent to HK$307,400,000, 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, the 2020 Annual Report published on April 16, 2021, the 2021 Annual Report published on April 23, 2022 and the 2022 Annual Report published on April 16, 2023. During the Year, US$1,098,000 of the net proceeds from the Listing had been utilized. Currently, the Group holds the unutilized net proceeds of US$4,013,000 as deposit with creditworthy banks with no recent history of default. Further details on the use of proceeds from the Listing will be disclosed in the annual report of the Company for the Year.

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its code of corporate governance.

During the Year and up to the date of this announcement, the Company has complied with all applicable code provisions of the CG Code.

## AUDIT COMMITTEE

The Audit Committee of the Company was established on the Listing Date with written terms of reference in compliance with the CG Code.

The consolidated financial statements of the Group for the Year have been reviewed with no disagreement by the Audit Committee. The Audit Committee is of the view that these financial statements have been prepared in accordance with the applicable accounting standards, the Listing Rules, statutory provisions, and sufficient disclosures have been made.

## THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the auditor of the Company, Ernst & Young on the Group's draft consolidated financial statements:

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had net current liabilities of US$49,930,000 as at December 31, 2023 and incurred a net loss of US$22,971,000 for the year then ended. Included in its current liabilities was an interest-bearing term loan of US$42,633,000 and a revolving loan of US$5,000,000, both of which are repayable on demand, and its cash and cash equivalents amounted to approximately US$4,438,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## FINAL DIVIDEND

No interim dividend (2022: Nil) was declared during the Year. The Board has resolved not to recommend the payment of a final dividend for the Year (2022: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' right to attend and vote at the upcoming annual general meeting of the Company intended to be held on May 30, 2024 ("**AGM**"), the register of members of the Company will be closed from May 27 to May 30, 2024 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on May 24, 2024.

## PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the Year containing the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Company (www.saileisuregroup.com) and the Stock Exchange (www.hkex.com.hk) in due course.

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

Hong Kong, March 26, 2024

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