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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
Independent Board Committee and Independent Shareholders**



A letter from the Board is set out on pages 6 to 25 and a letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-29 of this circular.

A notice convening the EGM of the Company to be held at the 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Hong Kong on Thursday, December 23, 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

In case of inconsistency between the Chinese version and the English version of this circular, the English version will prevail.

December 3, 2021

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following respective meanings:

2019 Annual Report	the annual report of the Company dated March 26, 2020 for the financial year ended December 31, 2019
2020 Annual Report	the annual report of the Company dated March 30, 2021 for the financial year ended December 31, 2020
2021 Interim Report	the interim report of the Company dated August 27, 2021 for the six months ended June 30, 2021
30%-controlled company	has the meaning ascribed to it under the Listing Rules
Announcement	the announcement issued by the Company dated November 10, 2021 in relation to, inter alia, the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement
APHI Guam	Asia Pacific Hotels, Inc. (Guam), a corporation incorporated in Guam with limited liability, which is an indirectly wholly-owned subsidiary of the Company
APHI Saipan	Asia Pacific Hotels, Inc., a corporation incorporated in the CNMI with limited liability, which is an indirectly wholly-owned subsidiary of the Company
Articles of Association	the articles of association of the Company, as amended from time to time
Asset Rejuvenation Plan	the renovation, refurbishment and fit-out works contemplated for Fiesta Resort Guam, Fiesta Resort Saipan and Kanoa Resort as detailed in the Prospectus and supplemented by the 2019 Annual Report and the 2020 Annual Report
Audit Committee	the audit committee of the Board
Board	the board of Directors

DEFINITIONS

CNMI	the Commonwealth of the Northern Mariana Islands, a U.S. territory located in the Western Pacific Region
Company	S.A.I. Leisure Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1832)
controlling shareholder	has the meaning ascribed to it under the Listing Rules
Director(s)	the director(s) of the Company
EGM	the extraordinary general meeting of the Company to be held at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Hong Kong on December 23, 2021 at 11:00 a.m., to consider and (if appropriate) to approve the resolutions contained in the notice set out on pages EGM-1 to EGM-4 of this circular, or its adjournment
Fiesta Resort Guam	the Group's hotel located in Tumon Bay, Guam which is currently operating as "Fiesta Resort Guam"
Fiesta Resort Saipan	the Group's hotel located in Garapan, Saipan, which is currently operating as "Fiesta Resort & Spa Saipan"
Framework Agreements	the QZ Framework Agreement and the TakeCare Framework Agreement collectively
Group	the Company and its subsidiaries
Group Company	the Company or any of its subsidiaries
Guam	Guam, a U.S. territory located in the Western Pacific Region
Hawaii	the State of Hawaii, U.S.
Holiday Package Transactions	has the meaning ascribed to it under the section headed "(1) QZ Framework Agreement" of this circular

DEFINITIONS

Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hotel Manager	IHC Hotel Limited (a wholly-owned subsidiary of InterContinental Hotels Group), currently the hotel manager of Fiesta Resort Guam and Fiesta Resort Saipan
Independent Board Committee	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder
Independent Financial Adviser or Lego Corporate Finance	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder
independent third party(ies)	has the meaning ascribed to it under the Listing Rules
Independent Shareholders	Shareholders other than those who have a material interest in the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps)
InterContinental Hotels Group	InterContinental Hotels Group Plc., the shares of which are dual listed on the New York Stock Exchange (stock code: IHG) and the London Stock Exchange (stock code: IHG)
Kanoa Resort	the Group's hotel located in Susupe, Saipan which is currently operating as "Kanoa Resort"

DEFINITIONS

Latest Practicable Date	November 30, 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular prior to its publication
Listing	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
Listing Date	May 16, 2019, being the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to take place on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Mainland China	the PRC exclusive of Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
Medical Insurance	medical and dental insurance coverage for the Group's employees
Medical Insurance Transactions	has the meaning ascribed to it under the section headed "(2) TakeCare Framework Agreement" of this circular
PRC	the People's Republic of China
Proposed QZ Annual Caps	the proposed new annual caps in respect of the amounts payable by the QZ Tours Group to the Group under the QZ Framework Agreement for the three financial years ending December 31, 2024
Proposed TakeCare Annual Caps	the proposed new annual caps in respect of the amounts payable by the Group to TakeCare under the TakeCare Framework Agreement for the three financial years ending December 31, 2024
Prospectus	the prospectus of the Company published on April 30, 2019

DEFINITIONS

QZ Framework Agreement	the framework agreement entered into on April 9, 2019 between the Company and QZ Tours in respect of Holiday Package Transactions
QZ Tours	泉州市世紀旅遊投資有限公司, a company established in the PRC on August 30, 2012 with limited liability
QZ Tours Group	QZ Tours and its subsidiaries collectively
Saipan	Saipan, the largest and most populated island in the CNMI
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Share(s)	ordinary share(s) in the share capital of the Company
Shareholder(s)	holder(s) of Share(s)
Stock Exchange	The Stock Exchange of Hong Kong Limited
TakeCare	TakeCare Insurance Company, Inc., a company incorporated under the laws of Guam
TakeCare Framework Agreement	the framework agreement dated April 9, 2019 and made between the Company and TakeCare in respect of Medical Insurance Transactions
Tan Holdings	Tan Holdings Corporation, a company incorporated under the laws of the CNMI with limited liability, which holds the entire issued share capital of THC Leisure and is a controlling shareholder of the Company
THC Leisure	THC Leisure Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, the controlling shareholder of the Company
U.S.	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
US\$	United States dollars, the lawful currency of the U.S.

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. TAN Henry, *BBS, JP*
(Vice Chairman and Chief Executive Officer)
Mr. CHIU George
Mrs. SU TAN Jennifer Sze Tink
Mr. SCHWEIZER Jeffrey William

Non-executive Directors:

Dr. TAN Siu Lin, *SBS (Chairman)*
Mr. TAN Willie

Independent Non-executive Directors:

Professor CHAN Pak Woon David
Mr. MA Andrew Chiu Cheung
Mr. CHAN Leung Choi Albert

Registered Office:

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

*Head office and principal place
of business in Hong Kong:*

5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

December 3, 2021

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement issued by the Company dated November 10, 2021 in relation to, among other things, the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) information on the QZ Framework Agreement and the TakeCare Framework Agreement and the connected transactions thereunder, the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the EGM and other information as required under the Listing Rules.

Reference is also made to the Prospectus with respect to the QZ Framework Agreement and the TakeCare Framework Agreement.

BACKGROUND

As mentioned in the Prospectus, (1) the Holiday Package Transactions under the QZ Framework Agreement and (2) the Medical Insurance Transactions under the TakeCare Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The initial term of each Framework Agreement will expire on December 31, 2021. Pursuant to the provisions of the Framework Agreements, each Framework Agreement shall thereafter be automatically renewed for subsequent periods of three years on the same terms and conditions, save that the parties thereto shall, upon renewal, determine and set out new annual caps to apply for the subsequent three-year period, subject always to compliance with the Listing Rules. According to the terms of each Framework Agreement, either party shall have the right to terminate the agreement by serving not less than one month's prior written notice on the other party. As of the Latest Practicable Date, the Framework Agreements have not been terminated by either party.

The Company intends to continue to enter into the transactions respectively contemplated under the Framework Agreements after December 31, 2021. The parties to each Framework Agreement have agreed that the term of each Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Independent Shareholders as necessary). There has been no change in the terms of the Framework Agreements since they were entered into on April 9, 2019, save that the parties thereto have determined and set out the new proposed annual caps to apply for each of the three years ending December 31, 2024.

LETTER FROM THE BOARD

(1) QZ FRAMEWORK AGREEMENT

As disclosed in the Prospectus, the Group enter into various agreements with the QZ Tours Group from time to time in its ordinary and usual course of business. Such agreements include sales agreements and individual purchase orders that are negotiated and typically signed on an annual basis, pursuant to which the QZ Tours Group would (i) reserve bulk accommodation in the Group's hotels and resorts, (ii) purchase meal coupons from the Group's on-site restaurants and self-operated excursion tours, and (iii) procure destination-based concierge and travel management services from the Group's destination services business segment (the "**Holiday Package Transactions**"). These travel products and services are often bundled by QZ Tours into holiday packages and on-sold to its customers. The Holiday Package Transactions relate to the Group's operations in Saipan only.

A. Principal terms of the QZ Framework Agreement

The Company entered into the QZ Framework Agreement with QZ Tours on April 9, 2019. Principal terms of the QZ Framework Agreement are as follows:

Term : Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.

LETTER FROM THE BOARD

Holiday Package Transactions : At any time during the term, the Group may from time to time enter into annual sales agreements and/or individual purchase orders with the QZ Tours Group for so long as they comply with the provisions of the QZ Framework Agreement and the Listing Rules.

Any Group Company may enter into individual agreements in respect of Holiday Package Transactions with QZ Tours on terms to be agreed, provided always that such individual agreements are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent tour operators of comparable purchase value.

Termination : The QZ Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if QZ Tours ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

LETTER FROM THE BOARD

Pricing : When making a decision on the terms and conditions of the Holiday Package Transactions (including pricing, credit, payment and cancellation terms), the Group would take into account, based on arm's length commercial negotiations with QZ Tours, (i) the purchase volume of QZ Tours, (ii) the Group's projected occupancy and other operating conditions, (iii) the rates, terms and conditions offered by the Group's competitors to QZ Tours and other tour operators, (iv) the rates the Group offers through various booking channels and the Group's intended level of profits, and (v) the general market conditions, trends, seasonality, pricing and marketing landscape in the leisure tourism market in Saipan.

Further, any commercial terms that are different to those the Group offers to other independent tour operators must be offered to QZ Tours based on arm's length commercial negotiations principally with reference to its bulk purchase volume and the Group's operating conditions. In doing so, the Directors must specifically disregard the connected person relationship between the Group and QZ Tours.

Special conditions : All annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis must receive, and shall be conditional upon, specific and express approval from the Audit Committee, comprising only of the Company's independent non-executive Directors.

B. Pricing policy and guidelines

Historically, the Group typically enter into annual sales agreements with different tour operators (including QZ Tours and various independent tour operators and wholesalers) which would give them the right to reserve in bulk a number of "allocated" rooms. Each year, the Group would discuss with various tour operators and wholesalers based on the Group's operating needs and their sales capability to allocate them a number of room nights, which are typically priced at fixed rates categorized by seasonality. The number of rooms allocated and the rates offered to each tour operator and wholesaler are in turn subject to a number of factors, such as the behavior of market peers, source market demand, and their historical purchase volume. Any reservation in excess of the rooms allocated to each tour operator would be separately negotiated under individual purchase orders. As a matter of policy, the levels of discount offered to each tour

LETTER FROM THE BOARD

operator (including QZ Tours) were determined primarily based on the level of bulk bookings i.e. the higher the volume, the higher the level of discount. The Directors are of the view that this is commensurate with the practices of the global hotels and resorts industry.

Other terms offered to tour operators and wholesalers, such as cancellation policies, will also vary depending on the bulk purchase volume i.e. the higher the volume, the better the terms offered in order to provide incentive for tour operators. Cancellation periods offered to tour operators and wholesalers range from 5 days to 28 days depending on seasonality. As the Group's largest customer, the cancellation periods offered to QZ Tours were generally shorter than other tour operators and wholesalers (as short as 5 days) with much lower purchase volume. The Directors are of the view that this is also commensurate with the practices of the global hotels and resorts industry.

QZ Tours mainly enter into Holiday Package Transactions with the Group for rooms and services for Fiesta Resort Saipan and Kanoa Resort. As previously disclosed, these two hotels are being managed by the Hotel Manager will be rebranded as Crowne Plaza Resort Saipan and voco Resort Saipan in due course. As such, going forward, the pricing policy and guidelines for the Holiday Package Transactions to be entered into with QZ Tours will be determined and implemented by the Hotel Manager in accordance with the terms of the QZ Framework Agreement as well as the hotel management agreement for each hotel.

Under the terms of the hotel management agreements, while the Group has the right to approve the annual budget for each hotel, the Hotel Manager has the right to determine all policies and procedures relating to the operation of the hotel, including the prices for any services provided by each hotel (e.g. room rates and food and beverage prices) and sales policies. Such policies and procedures must be consistent with the approved annual budget, the relevant brand standards of the InterContinental Hotels Group as well as industry standards for similarly market-positioned hotels in the geographical area in which the relevant hotel is being operated.

Going forward, wholesale contracts will be negotiated and signed by the Hotel Manager on behalf of the relevant Group Company on an annual basis with a pre-determined set of rates. These rates will be determined by the Hotel Manager based on source market, seasonality and room types for each hotel. During different seasons, these rates can vary via promotional offers, or rate yielding by closing the wholesale allotment based on demand calendar and room availability. Discounted wholesale rates will be offered by the Hotel Manager to all tour operators and wholesalers, but the levels of discounts, cancellation policies and other terms will vary based on volume. In other words, as per the terms of the QZ Framework Agreement, the levels of discounts, cancellation periods and other terms to be offered to QZ Tours will similarly be offered to independent tour operators with comparable bulk purchase volume.

LETTER FROM THE BOARD

In accordance with the terms of the QZ Framework Agreement, the Hotel Manager has also been informed that, as a matter of policy, all annual sales agreements and individual purchase orders with QZ Tours exceeding HK\$3.0 million (on an annual aggregate basis) will need to be submitted to the Audit Committee for approval, and will not be entered into unless with the specific and express approval of the Audit Committee.

Considering the above, coupled with the fact that the commercial negotiations with QZ Tours will be conducted through the Hotel Manager, an independent third party with extensive hotel management experience and expertise, the Directors (including the independent non-executive Directors) are confident that the Holiday Package Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

C. Proposed QZ Annual Caps

In view of the upcoming renewal of the QZ Framework Agreement, the Company and QZ Tours have agreed on the Proposed QZ Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts received by the Group from the QZ Tours Group and the Proposed QZ Annual Caps as agreed between the Company and QZ Tours are set out below:

	For financial years ended/ending December 31,		
	2019 <i>(US\$'000)</i>	2020 <i>(US\$'000)</i>	2021 <i>(US\$'000)</i>
Original annual caps	12,211	11,793	12,498
Actual aggregate amounts received from the QZ Tours Group	10,994	624 <i>Note</i>	— <i>Note</i> <i>(for the nine months ended September 30, 2021)</i>
	2022 <i>(US\$'000)</i>	2023 <i>(US\$'000)</i>	2024 <i>(US\$'000)</i>
Proposed QZ Annual Caps	5,079	16,311	17,465

LETTER FROM THE BOARD

Note: In view of the global outbreak of the COVID-19 pandemic, the governments of the PRC and the CNMI implemented various precautionary measures such as travel bans and mandatory quarantine requirements since early 2020. Hence, there was a sharp decline in the number of tourists travelling from Mainland China to Saipan. As disclosed in the 2020 Annual Report and the 2021 Interim Report, in order to mitigate the financial impact of the pandemic, the Group temporarily suspended some of its business operations (including but not limited to the temporary closure of some of its hotels and resorts as well as destination services in Saipan) from March 2020. As such, there was low utilization of the original annual caps under the QZ Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

D. Basis of the Proposed QZ Annual Caps

In view of the continuously increasing COVID-19 vaccination rates around the world, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. The Directors currently expect that flights to Saipan from Beijing and Hong Kong will gradually resume in year 2022 and flights from other cities in Mainland China will fully resume in year 2023 and year 2024. With flights resumed, more tourists from Mainland China are expected to travel to Saipan.

Further, it is expected that the Group's two main hotels in Saipan, Fiesta Resort Saipan and Kanoa Resort will be respectively rebranded as Crowne Plaza Resort Saipan and voco Resort Saipan. According to the 2021 Interim Report, the Directors expected that Fiesta Resort Saipan will be reopened in the fourth quarter of 2021. However, there have been delays in the works due to COVID-related factory shutdowns in a country from which furniture and materials are sourced. The Directors currently expect that Fiesta Resort Saipan will instead be reopened in around March 2022, subject to final confirmation by the Hotel Manager. As for Kanoa Resort, it will be reopened as soon as practicable soon after completion of the renovation and rebranding works under the Asset Rejuvenation Plan, which will be carried out at the end of the Group's emergency contract with the local government.

In determining the Proposed QZ Annual Caps, the Directors have considered factors including (i) historical amounts under Holiday Package Transactions in the published information of the Group, (ii) estimated level of demand for the Group's tourism products and services in the future, taking into account the expected gradual recovery of the leisure tourism market in Saipan, (iii) projected increase in room rates, and (iv) projected inflation.

As such, the Proposed QZ Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan will be reopened in March 2022, (ii) the number of Mainland Chinese tourists arriving in Saipan will gradually increase in year 2022, (iii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in year 2023 and year 2024, (iv) demand for leisure travel to Saipan from Mainland China will have fully recovered in year 2023 and year 2024, and (v) the amount for the Holiday Package Transactions will increase

LETTER FROM THE BOARD

moderately due to the higher room rates to be charged by the Hotel Manager for Fiesta Resort Saipan (to be known as Crowne Plaza Resort Saipan) and Kanoa Resort (to be known as voco Resort Saipan) in view of the rebranding and the newly renovated rooms.

In view of the above, the Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Proposed QZ Annual Caps are fairly and reasonably determined. As mentioned above, to further safeguard the reasonableness and fairness of the Holiday Package Transactions, the QZ Framework Agreement provides that all annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis must receive specific and express approval from the Audit Committee.

If the actual amount receivable by the Group under the Holiday Package Transactions shall exceed the Proposed QZ Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

E. Information of QZ Tours and QZ Tours Group

QZ Tours is a tour operator based in Beijing. As part of its product offering, the QZ Tours Group charters flights from Mainland China to Saipan, procures local travel products and services from the Group and other independent suppliers, and sells them on to end-travelers through its extensive sales network and to other online travel agents and traditional travel agents. Aside from its business relationship with the Group, the QZ Tours Group has a diverse and sizeable base of accommodation and other travel service suppliers, including other hotels and resorts in Guam and Saipan.

The principal business activities of the QZ Tours Group include the operation of domestic, inbound and outbound leisure travel tours and arranging holidays for tourists from Mainland China.

QZ Tours is owned as to 99% by Mr. Zhou Xindong, who is a son-in-law of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and a brother-in-law of Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company), and as to 1% by Ms. Zheng Zhifang (an independent third party).

LETTER FROM THE BOARD

F. Reasons and benefits of the automatic renewal

The Group has developed a close and long-term collaboration with QZ Tours since 2012. Before the COVID-19 pandemic, QZ Tours has been providing the Group with a stable volume of room nights for its hotels and resorts. In the year ended December 31, 2019, QZ Tours was the Group's largest customer, accounting for approximately 11.1% of the total sales of the Group.

As disclosed in the Prospectus, the QZ Framework Agreement provides the flexibility for the Group to, subject to approval from the Audit Committee, enter into the Holiday Package Transactions in the form of annual sales agreements or individual purchase orders based on the Group's operating conditions, and regulates the Holiday Package Transactions within the boundary of the Listing Rules. In addition, the QZ Framework Agreement does not restrict each of the parties from transacting with other China-based tour operators, giving the Group flexibility to select tour operators based on its operating needs and financial conditions. With QZ Tours' bulk purchase volume, the Directors believe that the Group could optimize its revenue and yield and hedge its risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

Based on the above, the Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that (i) the terms and conditions of the QZ Framework Agreements and the Proposed QZ Annual Caps and (ii) the Holiday Package Transactions contemplated under the QZ Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the QZ Framework Agreement so that the Group may continue to regulate current and future Holiday Package Transactions under a clear framework agreement.

G. Implications of the Listing Rules

As mentioned above, QZ Tours is owned as to 99% by Mr. Zhou Xindong, who is a son-in-law of Dr. Tan Siu Lin and a brother-in-law of Dr. Tan Henry. QZ Tours is thus a majority-controlled corporation of a deemed connected person of the Company under Rule 14A.21(1)(a) of the Listing Rules, and thus a deemed connected person of the Company under Rule 14A.21(1)(b) of the Listing Rules. As such, the transactions contemplated under the QZ Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the highest applicable ratios of Proposed QZ Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

H. Directors' interests

None of the Directors has a material interest in the QZ Framework Agreement and the Proposed QZ Annual Caps, but each of Dr. Tan Siu Lin, Dr. Tan Henry, Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie has voluntarily abstained from voting on the board resolutions of the Company approving the automatic renewal of the QZ Framework Agreement and the Proposed QZ Annual Caps.

Subject to approval of the Independent Shareholders at the EGM and compliance with all applicable provisions of the Listing Rules, all other Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) have reviewed and approved the automatic renewal of the QZ Framework Agreement and the Proposed QZ Annual Caps.

(2) TAKECARE FRAMEWORK AGREEMENT

As disclosed in the Prospectus, the Group enter into individual insurance policies with TakeCare in its ordinary and usual course of business in respect of medical and dental insurance coverage for the Group's employees (the "**Medical Insurance Transactions**"). Under such policies, the employee has the option to enhance his/her coverage and benefits and/or extend the coverage to his/her family members by paying additional insurance premium (to be settled through the Group initially and deducted from his/her salary).

A. Principal terms of the TakeCare Framework Agreement

The Company entered into the TakeCare Framework Agreement with TakeCare on April 9, 2019. Principal terms of the TakeCare Framework Agreement are as follows:

Term	:	Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.
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LETTER FROM THE BOARD

Medical Insurance Transactions : At any time during the term, the Group may from time to time enter into individual medical insurance policies with TakeCare for so long as they comply with the provisions of the TakeCare Framework Agreement and the Listing Rules.

Any Group Company may enter into Medical Insurance Transactions with TakeCare on terms to be agreed provided that the individual policies are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent insurers.

Termination : The TakeCare Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if TakeCare ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

Pricing : When making a decision to enter into a Medical Insurance Transaction with TakeCare, the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with TakeCare (i) the insurance premium and extent of coverage offered by TakeCare as well as other independent insurers, (ii) the Group's number of employees and policies on staff benefits, and (iii) the Group's own budget and financial position.

B. Pricing policy and guidelines

The Group has established clear pricing policy and guidelines in respect of Medical Insurance Transactions with TakeCare. When considering any Medical Insurance policy proposal from TakeCare, the management of the relevant Group Company must obtain proposals for a similar

LETTER FROM THE BOARD

policy from at least two independent insurance providers for comparison. The relevant management personnel must then carefully consider the proposals and determine whether the premium rates, policy terms, coverage and benefits offered by TakeCare are fair and reasonable and comparable to those offered by independent insurance providers.

Considering aforesaid, the Directors (including the independent non-executive Directors) are of the view that sufficient procedures are in place to ensure that the Medical Insurance Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

C. Proposed TakeCare Annual Caps

In view of the upcoming renewal of the TakeCare Framework Agreement, the Company and TakeCare have agreed on the Proposed TakeCare Annual Caps, which will apply subject to compliance with the requirements of the Listing Rules.

Details of the historical transaction amounts paid by the Group to TakeCare and the Proposed TakeCare Annual Caps as agreed between the Company and TakeCare are set out below:

	For financial years ended/ending December 31,		
	2019 <i>(US\$'000)</i>	2020 <i>(US\$'000)</i>	2021 <i>(US\$'000)</i>
Original annual caps	1,957	2,196	2,444
Actual aggregate amounts paid to TakeCare	1,638	1,282 <i>Note</i>	418 <i>Note</i> <i>(for the nine months ended September 30, 2021)</i>
	2022 <i>(US\$'000)</i>	2023 <i>(US\$'000)</i>	2024 <i>(US\$'000)</i>
Proposed TakeCare Annual Caps	1,834	2,933	3,080

Note: As disclosed in the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report, the Group had a total of 746, 206 and 190 full-time employees as at December 31, 2019, December 31, 2020 and June 30, 2021 respectively. The substantial decrease in headcount was mainly due to the mass layoff of staff as part of the Group's cost-saving measures during the temporary closure of some of the Group's hotels and resorts

LETTER FROM THE BOARD

from March 2020. With fewer employees, fewer Medical Insurance policies were taken out by the Group. As such, there was low utilization of the original annual caps under the TakeCare Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

D. Basis of the Proposed TakeCare Annual Caps

As disclosed in the 2021 Interim Report, Fiesta Resort Saipan and Fiesta Resort Guam are currently closed for the implementation of the renovation and upgrade works under the Asset Rejuvenation Plan and the Directors expected that the two hotels will be reopened in the fourth quarter of 2021. However, there have been delays in the works due to COVID-related factory shutdowns in a country from which furniture and materials are sourced. Currently, the Directors expect that the two hotels will be reopened as Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam in around March 2022 and April 2022 respectively, subject to final confirmation by the Hotel Manager.

As at October 31, 2021, the Group has 198 full-time employees. As mentioned above, the Directors are cautiously optimistic that year 2022 will be a year of recovery for the global leisure travel industry. With the expected reopening of the Group's two major hotels, the Directors estimate that there will be a substantial increase in the number of employees of the Group to approximately 600 for the year ending December 31, 2022. As for the two years ending December 31, 2024, the Directors currently expect that all of the Group's hotels and resorts will resume full operations (at their expanded capacities after implementation of the Asset Rejuvenation Plan). It is currently expected that the number of employees of the Group will reach 800 for each of the two years ending December 31, 2024.

In determining the Proposed TakeCare Annual Caps, the Directors have made reference to (i) historical amounts under Medical Insurance Transactions in the published information of the Group, (ii) the terms of the underlying Medical Insurance policies, (iii) the prevailing insurance premium offered by TakeCare, (iv) the current number of employees of the Group enrolled in Medical Insurance with TakeCare, and (v) the estimated number of employees of the Group in the future based on estimated operational needs as aforesaid.

The Proposed TakeCare Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan and Fiesta Resort Guam will be reopened in March 2022 and April 2022 respectively, (ii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in year 2023 and year 2024, (iii) the Group will have approximately 600 employees for the year ending December 31, 2022, and (iv) the Group will have approximately 800 employees for each of the two years ending December 31, 2024. In view of the above, the Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Proposed TakeCare Annual Caps are fairly and reasonably determined.

LETTER FROM THE BOARD

If the actual amount payable by the Group under Medical Insurance Transactions shall exceed the Proposed TakeCare Annual Caps, the Company will re-comply with all applicable requirements under the Listing Rules.

E. Information of TakeCare

TakeCare is one of the leading medical and dental insurers in the CNMI and Guam with a sizable network of clinics. TakeCare has over 45 years of experience and provides integrated health plan administration, insurance coverage and clinical services to sizeable private sector employers and complex public agencies such as the Government of Guam, the Judiciary of Guam, Guam National Guard and the American Samoa Power Authority.

The principal business activities of TakeCare is the provision of medical and dental insurance coverage, integrated health plan administration and clinical services in the CNMI, Guam, Palau and American Samoa.

TakeCare is owned as to 93% indirectly by Tan Holdings (a controlling shareholder of the Company), 3.5% directly and 3.5% indirectly by Mr. Chiu George (an executive Director). Tan Holdings is ultimately owned by a discretionary family trust of which Dr. Tan Siu Lin is the founder. Dr. Tan Siu Lin and Dr. Tan Henry together control the majority of the protectors of said family trust as well as the majority of the board of directors of Supreme Success Limited, the trustee of the said family trust. Beneficiaries of the said family trust include Dr. Tan Siu Lin, Dr. Tan Henry and other members of their family. Hence, Tan Holdings is a 30%-controlled company of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). As such, TakeCare is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry.

F. Reasons and benefits of the automatic renewal

As disclosed in the Prospectus, the Group purchase Medical Insurance for its employees from TakeCare in its ordinary and usual course of business. The TakeCare Framework Agreement provides flexibility for the Group to enter into Medical Insurance Transactions in the form of individual policies based on the Group's prevailing operating conditions and regulates the Medical Insurance Transactions within the boundary of the Listing Rules.

Taking into account the scale and quality of TakeCare's operations in Guam and Saipan as well as the insurance premium and extent of coverage it offers, the Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that (i) the terms and conditions of the TakeCare Framework Agreements and the

LETTER FROM THE BOARD

Proposed TakeCare Annual Caps and (ii) the Medical Insurance Transactions contemplated under the TakeCare Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors also consider that it is in the interest of the Group and the Shareholders as a whole to automatically renew the TakeCare Framework Agreement so that the Group may continue to regulate current and future Medical Insurance Transactions under a clear framework agreement.

G. Implications of the Listing Rules

As mentioned above, TakeCare is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry. Hence, TakeCare is an associate of a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules, and the transactions contemplated under the TakeCare Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of Proposed TakeCare Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

H. Directors' interests

Each of Dr. Tan Siu Lin and Dr. Tan Henry has a material interest in the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps by reason of their indirect controlling interest in TakeCare. Mr. Chiu George is also considered to be materially interested by reason of his shareholding in TakeCare. Accordingly, each of Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Chiu George has abstained from voting on the board resolutions of the Company approving the automatic renewal of the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps. Further, Mrs. Su Tan Jennifer Sze Tink and Mr. Tan Willie have also voluntarily abstained from voting on the relevant board resolutions.

Subject to approval of the Independent Shareholders at the EGM and compliance with all applicable provisions of the Listing Rules, all other Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) have reviewed and approved the automatic renewal of the TakeCare Framework Agreement and the Proposed TakeCare Annual Caps.

LETTER FROM THE BOARD

INTERNAL CONTROL MEASURES

The Audit Committee, which comprises only of the Group's independent non-executive Directors, continuously monitors and will continuously monitor the Group's continuing connected transactions on an on-going basis.

On an annual basis, an annual review report on continuing connected transactions will be compiled by the Audit Committee. The Audit Committee will carefully consider whether all of the continuing connected transactions of the Group are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or, if applicable, on terms no less favorable to the Group than those available to or from (as appropriate) independent third parties, and are fair and reasonable to the Group and in the interests of the Company and the Shareholders as a whole.

The Audit Committee is also empowered with various functions and powers to safeguard the annual review of the continuing connected transactions, including but not limited to meeting every six months to review the reports on continuing connected transactions, authority to appoint any financial or legal adviser as it considers necessary for its review, power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as the independent non-executive Directors see fit to ensure all continuing connected transactions are carried out on an arm's length basis.

Directors who may be perceived to have conflicts of interests, such as Directors who hold controlling interests in the connected persons, will not participate in any meetings or discussions of the Board and the Audit Committee, or be included in any decision making processes relating to such conflicting matters.

In addition, the Audit Committee is also empowered under the QZ Framework Agreement to consider and, if appropriate, give specific and express approval to all annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis (being the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules).

INFORMATION OF THE GROUP

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

LETTER FROM THE BOARD

Based on the 2021 Interim Report, the net asset value of the Company as at June 30, 2021 was approximately US\$89.1 million.

EGM AND PROXY ARRANGEMENT

The Company will hold an EGM for the Independent Shareholders to consider and, if thought fit, approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy to 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 as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and Article 66(1) of the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administration matter to be voted or by a show of hands.

Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

THC Leisure (holder of 270,000,000 Shares representing 75% of the issued share capital of the Company as at the Latest Practicable Date) is a controlled corporation of Dr. Tan Siu Lin and Dr. Tan Henry. Considering Dr. Tan Siu Lin's and Dr. Tan Henry's relationship with Mr. Zhou Xindong (the ultimate beneficial owner of QZ Tours), THC Leisure will voluntarily abstain from voting on the resolutions approving the automatic renewal of the QZ Framework Agreement, the Holiday Package Transactions contemplated thereunder and the Proposed QZ Annual Caps. Further, considering Dr. Tan Siu Lin's and Dr. Tan Henry's material interest in TakeCare, THC

LETTER FROM THE BOARD

Leisure will also abstain from voting on the resolutions approving the automatic renewal of the TakeCare Framework Agreement, the Medical Insurance Transactions contemplated thereunder and the Proposed TakeCare Annual Caps.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps. Therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps; (ii) the letter from the Independent Financial Adviser, set out on pages IFA-1 to IFA-29 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps; and (iii) the additional information set out in the appendix to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (i) the terms and conditions of the QZ Framework Agreement and the TakeCare Framework Agreement, including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, and (ii) the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated under the QZ Framework Agreement and the TakeCare Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) are of the view that (i) the terms and conditions of the QZ Framework Agreement and the TakeCare Framework Agreement, including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, and (ii) the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated under the QZ Framework Agreement and the TakeCare Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM to approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

GENERAL

Your attention is drawn to the additional information set out in the appendix to this circular and the notice of the EGM.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully
For and on behalf of the Board
S.A.I. Leisure Group Company Limited
Henry Tan, *BBS, JP*
Vice Chairman, Executive Director
and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder for inclusion in this circular:



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)

December 3, 2021

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated December 3, 2021 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalized terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, (i) the terms of the QZ Framework Agreement and the TakeCare Framework Agreement, including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, and (ii) the Holiday Package Transactions and Medical Insurance Transactions respectively contemplated under the QZ Framework Agreement and the TakeCare Framework Agreement are fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to (i) the letter from the Independent Financial Adviser containing details of the advice from the Independent Financial Adviser, together with the principal factors and reasons it has taken into consideration, as set out on pages IFA-1 to IFA-29 of the Circular; and (ii) the letter from the Board as set out on pages 6 to 25 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter, we consider that (i) the terms and conditions of the QZ Framework Agreement and the TakeCare Framework Agreement, including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, and (ii) the Holiday Package Transactions and the Medical Insurance Transactions respectively contemplated under the QZ Framework Agreement and the TakeCare Framework Agreement are and will be fair and reasonable, on normal commercial terms or better, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of all the resolutions to be proposed at the EGM to approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement, the Holiday Package Transactions and the Medical Insurance Transactions contemplated thereunder, and the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee

CHAN Pak Woon David

MA Andrew Chiu Cheung

CHAN Leung Choi Albert

Independent Non-Executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder, which has been prepared for the purpose of incorporation in this circular.



December 3, 2021

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated December 3, 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to (i) the Prospectus in relation to, among other things, the QZ Framework Agreement and the TakeCare Framework Agreement, and the transactions respectively contemplated thereunder (including their respective annual caps); and (ii) the Announcement in relation to, among other things, the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement. The Company intends to continue to enter into the transactions contemplated under the QZ Framework Agreement and the TakeCare Framework Agreement after December 31, 2021. The parties to each of the QZ Framework Agreement and the TakeCare Framework Agreement have agreed that the term of each of the QZ Framework Agreement and the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

TakeCare Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Board and/or the Independent Shareholders as necessary).

As at the Latest Practicable Date, QZ Tours is owned as to 99% by Mr. Zhou Xindong, who is a son-in-law of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and a brother-in-law of Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). QZ Tours is thus a majority-controlled corporation of a deemed connected person of the Company under Rule 14A.21(1)(a) of the Listing Rules, and thus a deemed connected person of the Company under Rule 14A.21(1)(b) of the Listing Rules. As such, the transactions contemplated under the QZ Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, TakeCare is owned as to 93% indirectly by Tan Holdings (a controlling shareholder of the Company), 3.5% directly and 3.5% indirectly by Mr. Chiu George (an executive Director). Tan Holdings is a 30%-controlled company of Dr. Tan Siu Lin (chairman of the Board, non-executive Director and controlling shareholder of the Company) and Dr. Tan Henry (vice chairman of the Board, executive Director, chief executive officer and controlling shareholder of the Company). As such, TakeCare is a 30%-controlled company of Dr. Tan Siu Lin and Dr. Tan Henry. Hence, TakeCare is an associate of a connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules, and the transactions contemplated under the TakeCare Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable ratios of each of the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps are more than 5% and more than HK\$10,000,000 on an annual basis, the same are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether (i) the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement are in the ordinary and usual course of business of the Group based on normal commercial terms; and (ii) the terms of the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder, as well as the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

proposed at the EGM to approve the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regards.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Company and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider that we are eligible to give independent advice on the automatic renewal of the QZ Framework Agreement and the TakeCare Framework Agreement (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps) and the transactions respectively contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also assumed that all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all respects at the time they were made and continued to be so up to the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, QZ Tours Group, TakeCare or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

A. BACKGROUND INFORMATION OF THE PARTIES TO THE QZ FRAMEWORK AGREEMENT AND THE TAKECARE FRAMEWORK AGREEMENT

The Group

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

Based on the 2021 Interim Report, the net asset value of the Company as at June 30, 2021 was approximately US\$89.1 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Company as extracted from the annual report of the Company for the year ended December 31, 2020 (the “**2020 Annual Report**”) and the interim report of the Company for the six months ended June 30, 2021 (the “**2021 Interim Report**”).

	Year ended December 31,		Six months ended June 30,	
	2019	2020	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue				
— Hotels and resorts	64,711	30,077	22,637	6,522
— Luxury travel retail	30,312	10,120	5,916	1,797
— Destination services	3,676	587	392	68
Total revenue	98,699	40,784	28,945	8,387
Profit/(loss) for the year/period				
attributable to the Shareholders	10,100	(9,320)	538	(2,610)

For the year ended December 31, 2019 and 2020

For the year ended December 31, 2020, the Group recorded total revenue of approximately US\$40.8 million, representing a decrease of approximately 58.7% as compared to approximately US\$98.7 million for the year ended December 31, 2019. According to the 2020 Annual Report, since late January 2020, a series of precautionary and control measures have been implemented by government authorities around the world due to the COVID-19 pandemic, which led to a decrease in revenue derived from (i) the operation of hotels and leasing of commercial premises located within the hotel premises in Guam and Saipan; (ii) the sales of luxury and leisure clothing and accessories in retail stores in Guam, Saipan and Hawaii; and (iii) the provision of destination activities in Saipan. As a result, the Group recorded loss attributable to the Shareholders of approximately US\$9.3 million for the year ended December 31, 2020 as compared to profit attributable to the Shareholders of approximately US\$10.1 million for the year ended December 31, 2019.

For the six months ended June 30, 2020 and 2021

For the six months ended June 30, 2021, the Group recorded total revenue of approximately US\$8.4 million, representing a decrease of approximately 70.9% as compared to approximately US\$28.9 million for the corresponding period in 2020. According to the 2021 Interim Report, the significant decrease in revenue derived from (i) the operation of hotels and leasing of commercial premises located within the hotel premises in Guam and Saipan; (ii) the sales of luxury and leisure

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clothing and accessories in retail stores in Guam, Saipan and Hawaii; and (iii) the provision of destination activities in Saipan were mainly due to (a) the continuous impact of the COVID-19 pandemic across all businesses of the Company; and (b) the closure of Fiesta Resort Guam and Fiesta Resort Saipan for the purpose of carrying out renovation and upgrading works. As a result, the Group recorded loss attributable to the Shareholders of approximately US\$2.6 million for the six months ended June 30, 2021 as compared to profit attributable to the Shareholders of approximately US\$0.5 million for the six months ended June 30, 2020.

QZ Tours and QZ Tours Group

QZ Tours is a tour operator based in Beijing. As part of its product offering, the QZ Tours Group charters flights from Mainland China to Saipan, procures local travel products and services from the Group and other independent suppliers, and sells them on to end-travelers through its extensive sales network and to other online travel agents and traditional travel agents. Aside from its business relationship with the Group, the QZ Tours Group has a diverse and sizeable base of accommodation and other travel service suppliers, including other hotels and resorts in Guam and Saipan.

The principal business activities of the QZ Tours Group include the operation of domestic, inbound and outbound leisure travel tours and arranging holidays for tourists from Mainland China.

TakeCare

TakeCare is one of the leading medical and dental insurers in the CNMI and Guam with a sizable network of clinics. TakeCare has over 45 years of experience and provides integrated health plan administration, insurance coverage and clinical services to sizeable private sector employers and complex public agencies such as the Government of Guam, the Judiciary of Guam, Guam National Guard and the American Samoa Power Authority.

The principal business activities of TakeCare is the provision of medical and dental insurance coverage, integrated health plan administration and clinical services in the CNMI, Guam, Palau and American Samoa.

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B. THE QZ FRAMEWORK AGREEMENT

1. Reasons for and benefits of the renewal of the QZ Framework Agreement

As disclosed in the Letter from the Board, the Group has developed a close and long-term collaboration with QZ Tours since 2012. Before the COVID-19 pandemic, QZ Tours has been providing the Group with a stable volume of room nights for its hotels and resorts. In the year ended December 31, 2019, QZ Tours was the Group's largest customer, accounting for approximately 11.1% of the total sales of the Group. Therefore, providing more services to QZ Tours can increase the Group's overall income and enhance the Group's influence in the hotel and resort operations market and brand awareness, which is conducive to the expansion of the Group's business in the future and benefits the Group and the Shareholders as a whole.

We have reviewed the 2021 Interim Report and noted that the Management is confident that Fiesta Resort Saipan and Kanoa Resort, after their respective rebranding as Crowne Plaza Resort Saipan and voco Resort Saipan, will be uniquely positioned to capture the pent-up travel demand when the COVID-19 pandemic subsides. As disclosed in the Letter from the Board, the Directors currently expect that Fiesta Resort Saipan will be reopened in around March 2022, subject to final confirmation by the Hotel Manager. As for Kanoa Resort, it will be reopened as soon as practicable after completion of the renovation and rebranding works under the Asset Rejuvenation Plan, which will be carried out at the end of the Group's emergency contract with the local government. The Asset Rejuvenation Plan is expected to complete in around six to nine months. In view of the extensive sales network of QZ Tours in the PRC and its long-term business relationship with the Group (being the largest customers of the Group prior to the COVID-19 pandemic), we consider that it is beneficial to the Group's business to renew the QZ Framework Agreement to continue the Holiday Package Transactions, so as to capture the pent-up travel demand from Mainland China when the COVID-19 pandemic recedes.

As disclosed in the Prospectus, the QZ Framework Agreement provides the flexibility for the Group to, subject to approval from the Audit Committee, enter into the Holiday Package Transactions in the form of annual sales agreements or individual purchase orders based on the Group's operating conditions, and regulates the Holiday Package Transactions within the boundary of the Listing Rules. In addition, the QZ Framework Agreement does not restrict each of the parties from transacting with other China-based tour operators, giving the Group flexibility to select tour operators based on its operating needs and financial conditions. With QZ Tours' bulk purchase volume, the Directors believe, and we concur, that the Group could optimise its revenue and yield and hedge its risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

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Taking into consideration the above and in particular that (i) (a) hotel and resort operations in Guam and Saipan; and (b) the provision of destination services in Saipan including the operation of souvenir and convenience stores, the operation of excursion tours and the provision of land arrangement and concierge services are the Group's principal businesses and the Group has been conducting the Holiday Package Transactions to QZ Tours Group for years; (ii) prior to the COVID-19 pandemic, QZ Tours has been the Group's largest customer, accounting for over 10% of the total sales of the Group; (iii) the QZ Framework Agreement does not preclude the Group from choosing other tour operators; (iv) the Group and QZ Tours have established a long-standing business relationship and mutual understanding of the standards, requirements and specific needs of each other; and (v) the Group may continue to regulate current and future Holiday Package Transactions under a clear framework agreement, we are of the opinion that the renewal of the QZ Framework Agreement is within the ambit of the businesses currently run by the Group and is therefore conducted in the ordinary and usual course of the Group's businesses and in the interests of the Group and the Shareholders as a whole.

2. Principal terms of the QZ Framework Agreement

Introduction

As disclosed in the Prospectus, the Group enters into various agreements with the QZ Tours Group from time to time in its ordinary and usual course of business. Such agreements include sales agreements and individual purchase orders that are negotiated and typically signed on an annual basis, pursuant to which the QZ Tours Group would (i) reserve bulk accommodation in the Group's hotels and resorts, (ii) purchase meal coupons from the Group's on-site restaurants and self-operated excursion tours, and (iii) procure destination-based concierge and travel management services from the Group's destination services business segment (the "**Holiday Package Transactions**"). These travel products and services are often bundled by QZ Tours into holiday packages and on-sold to its customers. The Holiday Package Transactions relate to the Group's operations in Saipan only.

As disclosed in the Letter from the Board, the initial term of the QZ Framework Agreement will expire on December 31, 2021. Pursuant to the provisions of the QZ Framework Agreement, the QZ Framework Agreement shall thereafter be automatically renewed for subsequent periods of three years on the same terms and conditions, save that the parties thereto shall, upon renewal, determine and set out new annual caps to apply for the subsequent three-year period, subject always to compliance with the Listing Rules. According to the terms of the QZ Framework Agreement, either party shall have the right to terminate the agreement by serving not less than one month's prior written notice on the other party. As of the Latest Practicable Date, the QZ Framework Agreements have not been terminated by either party.

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The Company intends to continue to enter into the transactions contemplated under the QZ Framework Agreements after December 31, 2021. The parties to the QZ Framework Agreement have agreed that the term of the QZ Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Board and/or the Independent Shareholders as necessary). There has been no change in the terms of the QZ Framework Agreement since it was entered into on April 9, 2019, save that the parties thereto have determined and set out the new proposed annual caps to apply for each of the three years ending December 31, 2024. Principal terms of the QZ Framework Agreement are as follows:

Term : Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.

Holiday Package Transactions : At any time during the term, the Group may from time to time enter into annual sales agreements and/or individual purchase orders with the QZ Tours Group for so long as they comply with the provisions of the QZ Framework Agreement and the Listing Rules.

Any Group Company may enter into individual agreements in respect of Holiday Package Transactions with QZ Tours on terms to be agreed, provided always that such individual agreements are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent tour operators of comparable purchase value.

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Termination : The QZ Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if QZ Tours ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.

Pricing : When making a decision on the terms and conditions of the Holiday Package Transactions (including pricing, credit, payment and cancellation terms), the Group would take into account, based on arm's length commercial negotiations with QZ Tours, (i) the purchase volume of QZ Tours, (ii) the Group's projected occupancy and other operating conditions, (iii) the rates, terms and conditions offered by the Group's competitors to QZ Tours and other tour operators, (iv) the rates the Group offers through various booking channels and the Group's intended level of profits, and (v) the general market conditions, trends, seasonality, pricing and marketing landscape in the leisure tourism market in Saipan.

Further, any commercial terms that are different to those the Group offers to other independent tour operators, must be offered to QZ Tours based on arm's length commercial negotiations principally with reference to its bulk purchase volume and the Group's operating conditions. In doing so, the Directors must specifically disregard the connected person relationship between the Group and QZ Tours.

Special conditions : All annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis must receive, and shall be conditional upon, specific and express approval from the Audit Committee, comprising only of the Company's independent non-executive Directors.

Pricing policy and guidelines

As disclosed in the Letter from the Board, historically, the Group typically enters into annual sales agreements with different tour operators (including QZ Tours and various independent tour operators and wholesalers) which would give them the right to reserve in bulk a number of "allocated" rooms. Each year, the Group would discuss with various tour operators and

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wholesalers based on the Group's operating needs and their sales capability to allocate them a number of room nights, which are typically priced at fixed rates categorised by seasonality. The number of rooms allocated and the rates offered to each tour operator and wholesaler are in turn subject to a number of factors, such as the behaviour of market peers, source market demand, and historical purchase volume. Any reservation in excess of the rooms allocated to each tour operator would be separately negotiated under individual purchase orders. As a matter of policy, the levels of discount offered to each tour operator (including QZ Tours) were determined primarily based on the level of bulk bookings i.e. the higher the volume, the higher the level of discount. The Directors are of the view that this is commensurate with the practices of the global hotels and resorts industry.

Other terms offered to tour operators and wholesalers, such as cancellation policies, will also vary depending on the bulk purchase volume i.e. the higher the volume, the better the terms offered in order to provide incentive for tour operators. Cancellation periods offered to tour operators and wholesalers range from 5 days to 28 days depending on seasonality. As the Group's largest customer, the cancellation periods offered to QZ Tours were generally shorter than other tour operators and wholesalers (as short as 5 days) with much lower purchase volume. The Directors are of the view that this is also commensurate with the practices of the global hotels and resorts industry.

QZ Tours mainly enters into Holiday Package Transactions with the Group for rooms and services for Fiesta Resort Saipan and Kanoa Resort. As previously disclosed, these two hotels are being managed by the Hotel Manager and will be rebranded as Crowne Plaza Resort Saipan and voco Resort Saipan, respectively in due course. As such, going forward, the pricing policy and guidelines for the Holiday Package Transactions to be entered into with QZ Tours will be determined and implemented by the Hotel Manager in accordance with the terms of the QZ Framework Agreement as well as the hotel management agreement for each hotel.

Under the terms of the hotel management agreements, while the Group has the right to approve the annual budget for each hotel, the Hotel Manager has the right to determine all policies and procedures relating to the operation of the hotel, including the prices for any services provided by each hotel (e.g. room rates and food and beverage prices) and sales policies. Such policies and procedures must be consistent with the approved annual budget, the relevant brand standards of the InterContinental Hotels Group as well as industry standards for similarly market-positioned hotels in the geographical area in which the relevant hotel is being operated.

Going forward, wholesale contracts will be negotiated and signed by the Hotel Manager on behalf of the relevant Group Company on an annual basis with a pre-determined set of rates. These rates will be determined by the Hotel Manager based on source market, seasonality and room types for each hotel. During different seasons, these rates can vary via promotional offers, or rate

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yielding by closing the wholesale allotment based on demand calendar and room availability. Discounted wholesale rates will be offered by the Hotel Manager to all wholesale agents and tour operators, but the levels of discounts, cancellation policies and other terms will vary based on volume. In other words, as per the terms of the QZ Framework Agreement, the levels of discounts, cancellation periods and other terms to be offered to QZ Tours will similarly be offered to independent tour operators with comparable bulk purchase volume.

In accordance with the terms of the QZ Framework Agreement, the Hotel Manager has also been informed that, as a matter of policy, all annual sales agreements and individual purchase orders with QZ Tours exceeding HK\$3.0 million (on an annual aggregate basis) will need to be submitted to the Audit Committee for approval, and will not be entered into unless with the specific and express approval of the Audit Committee. We have discussed with the Management and were given to understand that, for the two years ended December 31, 2020 and the nine months ended September 30, 2021, there were no annual sales agreement or individual purchase order entered into with QZ Tours exceeding HK\$3.0 million that needed to be submitted to the Audit Committee for approval.

Considering the above, coupled with the fact that the commercial negotiations with QZ Tours will be conducted through the Hotel Manager, an independent third party with extensive hotel management experience and expertise, the Directors (including the independent non-executive Directors) are confident that the Holiday Package Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

As disclosed in the Letter from the Board, when making a decision on the terms and conditions of the Holiday Package Transactions (including pricing, credit, payment and cancellation terms), the Group would take into account, based on arm's length commercial negotiations with QZ Tours, (i) the purchase volume of QZ Tours, (ii) the Group's projected occupancy and other operating conditions, (iii) the rates, terms and conditions offered by the Group's competitors to QZ Tours and other tour operators, (iv) the rates the Group offers through various booking channels and the Group's intended level of profits, and (v) the general market conditions, trends, seasonality, pricing and marketing landscape in the leisure tourism market in Saipan.

Further, any commercial terms that are different from those the Group offers to other independent tour operators must be offered to QZ Tours based on arm's length commercial negotiations principally with reference to its bulk purchase volume and the Group's operating conditions. In doing so, the Directors must specifically disregard the connected person relationship between the Group and QZ Tours.

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In assessing the fairness and reasonableness of the pricing basis under the Holiday Package Transactions, we have reviewed (i) all the room rental agreements provided by the Company in respect of the Holiday Package Transactions with QZ Tours entered into for the period from April 2019 to March 2020; and (ii) six sets of randomly selected comparable agreements provided by the Company in respect of the holiday package transactions between the Group and other independent tour operators entered into for the period from April 2019 to March 2020. We considered such sample size is sufficient and representative as these agreements covered both Fiesta Resort Saipan and Kanoa Resort for the period from April 2019 to March 2020, which was less affected by the COVID-19 pandemic.

Based on the review of these comparable agreements, we noted that the pricing terms offered by the Group were in accordance to the pricing policies of the Group as discussed above. The comparison shows that the room rates during different seasons can vary and discounted wholesale rates applied to the tour operators and wholesalers, but the levels of discounts, cancellation policies and other terms varied based on volume. We noted that the number of rooms reserved and actually purchased by QZ Tours for the period from April 2019 to March 2020 were significantly higher than that reserved and purchased by other independent tour operators. We further noted that the room rates offered to QZ Tours were generally lower than independent tour operators, from approximately 1% to 10% subject to the bulk purchase volume.

Taking into consideration the above, and particularly the following factors, we concur with the Management's view that the pricing terms offered by the Group were no more favourable to QZ Tours than those offered to other independent tour operators in the comparable transactions.

- (i) The pricing terms the Group offered to QZ Tours were determined principally with reference to the level of its bulk bookings, which is commensurate with the practices of the global hotels and resorts industry. None of the other independent tour operators (including those which also placed bulk bookings with the Group) had placed bookings on a comparable level to that of QZ Tours during the year ended December 31, 2019, which was less affected by the COVID-19 pandemic. For the year ended December 31, 2019, QZ Tours contributed approximately 11.1% of the Group's total revenue, whereas the next largest tour operator of the Group accounted for only approximately 2.2% of the Group's total revenue.
- (ii) The Group also generally offers discount to other tour operators which place bulk bookings with the Group and such discount is primarily determined based on the level of purchase volume.

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In addition, we have reviewed the internal control measures in connection with the Holiday Package Transactions adopted by the Group as further discussed below. We consider the effective implementation of such internal control measures will help to ensure fair pricing of the Holiday Package Transactions. In light of the above, we concur with the Management's view that the pricing basis for the Holiday Package Transactions is fair and reasonable.

Based on the foregoing, we are of the view that the terms of the QZ Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company as a whole.

3. Historical transaction amounts and the Proposed QZ Annual Caps

The table below sets out the historical transaction amounts and the annual caps for the Holiday Package Transactions for the three years ending December 31, 2021, and the Proposed QZ Annual Caps for the three years ending December 31, 2024:

	Year ended/ending December 31,		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual caps	12,211	11,793	12,498
Actual aggregate amounts received from the QZ Tours Group	10,994	624 <i>Note</i>	— <i>Note</i>
			(for the nine months ended September 30, 2021)
Utilisation rates	90.0%	5.3% <i>Note</i>	— <i>Note</i>
	2022	2023	2024
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Proposed QZ Annual Caps	5,079	16,311	17,465

Note: In view of the global outbreak of COVID-19, the governments of the PRC and the CNMI implemented various precautionary measures such as travel bans and mandatory quarantine requirements since early 2020. Hence, there was a sharp decline in the number of tourists travelling from Mainland China to Saipan. As disclosed in the 2020 Annual Report and the 2021 Interim Report, in order to mitigate the financial impact of the pandemic, the Group temporarily suspended some of its business operations (including but not limited to the temporary closure of some of its hotels and resorts as well as destination services in Saipan) from March 2020. As such, there was low utilisation of the original annual caps under the QZ Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

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As illustrated in the table above, we noted that the historical annual cap for the Holiday Package Transactions was close to full utilisation for the year ended December 31, 2019, which implied that the Company had taken a prudent approach in estimating the transaction amounts in the past.

The tourism industry is known to be one of the industries severely affected by the unprecedented standstill in the globe due to the outbreak of COVID-19 in 2020, the development and impacts of which have surpassed the expectation of the Group and the general public. In particular, the business activities of the city as a whole, including the hotel and resort operations in Saipan, have been drastically restricted by the prolonged period of lock down and the sporadic changes in travel restriction and quarantine policies by local governments. As such, there was low utilisation of the annual caps under the QZ Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

As disclosed in the Letter from the Board, the Proposed QZ Annual Caps were determined with reference to (i) historical amounts of the Holiday Package Transactions in the published information of the Group, (ii) estimated level of demand for the Group's tourism products and services in the future, taking into account the expected gradual recovery of the leisure tourism market in Saipan, (iii) projected increase in room rates, and (iv) projected inflation.

In particular, the Proposed QZ Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan will be reopened in March 2022; (ii) the number of Mainland Chinese tourists arriving in Saipan will gradually increase in 2022; (iii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in 2023 and 2024; (iv) demand for leisure travel to Saipan from Mainland China will have fully recovered in 2023 and 2024; and (v) the amount for the Holiday Package Transactions will increase moderately due to the higher room rates to be charged by the Hotel Manager for Fiesta Resort Saipan (to be known as Crowne Plaza Resort Saipan) and Kanoa Resort (to be known as voco Resort Saipan) in view of the rebranding and the newly renovated rooms.

In order to assess the fairness and reasonableness of the Proposed QZ Annual Caps, we have considered the following factors:

(i) The historical amounts under Holiday Package Transactions

We noted that the actual aggregate amounts received from the QZ Tours Group for the year ended December 31, 2019 accounted for approximately 90.0% of the annual cap in respect of the Holiday Package Transactions for the year ended December 31, 2019. We have reviewed the monthly breakdown of the Holiday Package Transactions provided by the Company and noted that the monthly hotel service income received by the Group from the QZ Tours Group (a) ranged from

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approximately US\$0.8 million to US\$1.2 million with an average of approximately US\$1.0 million (the “**Normal Monthly Average Service Income**”) during the period from January to October 2019, which was not affected by the outbreak of COVID-19 and demonstrates the level of revenue that the Group could achieve under normal business environment; and (b) ranged from approximately US\$0.3 million to US\$0.6 million with an average of approximately US\$0.5 million (the “**Discounted Monthly Average Service Income**”) during the period from November 2019 to January 2020, when the number of tourists travelling from Mainland China to Saipan was affected by the COVID-19 pandemic. Notwithstanding the temporary closure of some of the Group’s hotels and resorts as well as destination services in Saipan from March 2020, we noted that the aggregate service income received by the Group from the QZ Tours Group amounted to approximately US\$4,000 for the two months ended March 31, 2020. As such, we consider the period from November 2019 to January 2020 is more representative and reasonable to demonstrate the service income receivable by the Group under Holiday Package Transactions for the year ending December 31, 2022 after the gradual recovery of the leisure tourism market in Saipan.

We have discussed with the Management and were given to understand that despite Fiesta Resort Saipan will be reopened in March 2022, the direct flights from Beijing and Hong Kong to Saipan are expected to gradually resume from the second quarter of 2022. Based on the above and the Discounted Monthly Average Service Income of approximately US\$0.5 million, the service income expected to be received by the Group in relation to the Holiday Package Transactions for the year ending December 31, 2022 would amount to approximately US\$4.1 million and represents approximately 81.4% of the Proposed QZ Annual Cap of approximately US\$5.1 million for the year ending December 31, 2022.

Moreover, the annualised amount of service income projected to be received by the Group in relation to the Holiday Package Transactions for the two years ending December 31, 2024 would amount to approximately US\$12.2 million (the “**Annualised Amount Under Holiday Package Transactions**”), which is calculated based on the following assumptions: (a) the Normal Monthly Average Service Income of approximately US\$1.0 million; (b) flights from other cities in Mainland China will fully resume in 2023 and 2024; and (c) all of the Group’s hotels and resorts, luxury travel retail boutiques and destination services in Saipan will resume full operations in 2023 and 2024. The Annualised Amount Under Holiday Package Transactions represents approximately 75.0% and 70.0% of the Proposed QZ Annual Caps for the two years ending December 31, 2024, respectively.

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(ii) Estimated level of demand for the Group's tourism products and services in the future

As disclosed in the press release by the Office of the Governor of the CNMI, as of September 10, 2021, approximately 80% of the total eligible population aged 12 years and older of the CNMI have been fully vaccinated. The Directors believe that herd immunity could liberate the islands from the coronavirus and reopen borders to business partners and tourists, leading to a potential resumption of the economy and business operations.

We have discussed with the Management and were given to understand that Saipan is viewed as “safe” destination to global travelers during the pandemic due to the low number of confirmed cases and the low death rates. The Management believes that, when routine flight schedules resume, short-haul and medium-haul trips will be in more demand initially than long-haul vacations, which puts Saipan at an advantageous position in the Mainland China market. The Management also believes that the pent-up thirst for adventure and the lure of beaches and mountains will make it irresistible for people to venture overseas quickly after the pandemic. As such, the Management is of the view, and we concur, that the Proposed QZ Annual Caps allow the Group to capture the potentially strong rebound of the leisure travel market.

(iii) Projected increase in room rates

As disclosed in the Letter from the Board, the Group's two main hotels in Saipan, Fiesta Resort Saipan and Kanoa Resort will be respectively rebranded as Crowne Plaza Resort Saipan and voco Resort Saipan. We have discussed with the Management and were given to understand that the accommodation capacity of the two hotels will be increased after the completion of renovation, which will also position the two hotels at a high-end market capable of commanding a higher revenue and reaching out to a wider and more premium customer base. We noted that the accommodation capacity of Fiesta Resort Saipan and Kanoa Resort will be increased from 418 guest rooms to 422 guest rooms and 224 guest rooms to 237 guest rooms, respectively. We further noted that after the completion of renovation, the average room rates of Fiesta Resort Saipan and Kanoa Resort are expected to increase by approximately 12.5% to 18.8% and 23.7% to 48.6%, respectively, subject to seasonality.

(iv) Projected inflation

We have discussed with the Management and were given to understand that the Proposed QZ Annual Caps were determined after applying additional buffer to cater for, among others, projected inflation, unexpected business growth, and currency fluctuations and on the principal assumptions that, during the two years ending December 31, 2024, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which

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may materially affect the businesses of the Group. As such, the Directors are of the view, and we concur, that the additional buffer allows room for the Group to capture any unexpected business growth and provides the Group with flexibility to ensure stable and smooth operations of the Group.

Taking into consideration of (i) the reasons for and benefits of the Holiday Package Transactions as discussed above; (ii) the historical amounts under Holiday Package Transactions for the year ended December 31, 2019, which demonstrated the Company had taken a prudent approach in estimating the transaction amounts in the past; (iii) the Annualised Amount Under Holiday Package Transactions illustrates the level of service income that the Group can achieve under normal business circumstance; (iv) the pent-up travel demand for the Group's luxury travel experience and destination services in Saipan; (v) the projected increase in room rates and accommodation capacity of the two hotels; and (vi) the additional buffer provides the Group with flexibility to ensure stable and smooth operations of the Group, we are of the view that the Proposed QZ Annual Caps and the major factors considered as the bases of determining the Proposed QZ Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

However, the Shareholders should note that as the Proposed QZ Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to December 31, 2024, and they do not represent any forecasts or estimations of the Group's financial performance. Consequently, we express no opinion as to how closely the actual future transaction amounts of the continuing connected transactions will correspond with the Proposed QZ Annual Caps.

C. THE TAKECARE FRAMEWORK AGREEMENT

1. Reasons for and benefits of the renewal of the TakeCare Framework Agreement

As disclosed in the Prospectus, the Group purchases Medical Insurance for its employees from TakeCare in its ordinary and usual course of business. The TakeCare Framework Agreement provides flexibility for the Group to enter into Medical Insurance Transactions in the form of individual policies based on the Group's prevailing operating conditions and regulates the Medical Insurance Transactions within the boundary of the Listing Rules.

From the discussions with the Management, we were given to understand that TakeCare is one of the leading medical and dental insurers in the CNMI and Guam with a sizable network of clinics. As disclosed in the Letter from the Board, TakeCare has over 45 years of experience and

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provides integrated health plan administration, insurance coverage and clinical services to sizeable private sector employers and complex public agencies such as the Government of Guam, the Judiciary of Guam, Guam National Guard and the American Samoa Power Authority.

Taking into consideration (i) that the Group purchases Medical Insurance for its employees from TakeCare in its ordinary and usual course of business and the Group has been procuring Medical Insurance from TakeCare for years; (ii) the scale of operation and quality of services of TakeCare as well as the insurance premium and extent of coverage it offers; (iii) the Group and TakeCare have established a long-standing business relationship and mutual understanding of the standards, requirements and specific needs of each other; and (iv) the Group may continue to regulate current and future Medical Insurance Transactions under a clear framework agreement, we are of the opinion that the renewal of the TakeCare Framework Agreement is within the ambit of the businesses currently run by the Group and is therefore conducted in the ordinary and usual course of the Group's businesses, and in the interests of the Group and the Shareholders as a whole.

2. Background of renewal of the TakeCare Framework Agreement

Introduction

As disclosed in the Prospectus, the Group enters into individual insurance policies with TakeCare in its ordinary and usual course of business in respect of medical and dental insurance coverage for the Group's employees (the "**Medical Insurance Transactions**"). Under such policies, the employee has the option to enhance his/her coverage and benefits and/or extend the coverage to his/her family members by paying additional insurance premium (to be settled through the Group initially and deducted from his/her salary).

As disclosed in the Letter from the Board, the initial term of the TakeCare Framework Agreement will expire on December 31, 2021. Pursuant to the provisions of the TakeCare Framework Agreement, the TakeCare Framework Agreement shall thereafter be automatically renewed for subsequent periods of three years on the same terms and conditions, save that the parties thereto shall, upon renewal, determine and set out new annual caps to apply for the subsequent three-year period, subject always to compliance with the Listing Rules. According to the terms of the TakeCare Framework Agreement, either party shall have the right to terminate the agreement by serving not less than one month's prior written notice on the other party. As of the Latest Practicable Date, the TakeCare Framework Agreements have not been terminated by either party.

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The Company intends to continue to enter into the transactions contemplated under the TakeCare Framework Agreements after December 31, 2021. The parties to the TakeCare Framework Agreement have agreed that the term of the TakeCare Framework Agreement shall be automatically renewed in accordance with its terms for a further period of three years from January 1, 2022 to December 31, 2024, subject to compliance with all applicable provisions of the Listing Rules (including the approval of the Board and/or the Independent Shareholders as necessary). There has been no change in the terms of the TakeCare Framework Agreement since it was entered into on April 9, 2019, save that the parties thereto have determined and set out the new proposed annual caps to apply for each of the three years ending December 31, 2024. Principal terms of the TakeCare Framework Agreement are as follows:

Term : Commencing from the Listing Date until December 31, 2021 and thereafter automatically renewed for subsequent periods of three years on the same terms and conditions (save that the parties thereto shall determine and set out new annual caps to apply for the subsequent periods of three years upon renewal), subject always to compliance with the Listing Rules.

Medical Insurance Transactions : At any time during the term, the Group may from time to time enter into individual medical insurance policies with TakeCare for so long as they comply with the provisions of the TakeCare Framework Agreement and the Listing Rules.

Any Group Company may enter into Medical Insurance Transactions with TakeCare on terms to be agreed provided that the individual policies are, inter alia, (i) in writing, (ii) in the Group's ordinary and usual course of business, (iii) on normal commercial terms, (iv) in compliance with all applicable provisions under the Listing Rules, (v) within the agreed annual caps (or upon the Company taking the appropriate actions to comply with the Listing Rules in respect of any amounts in excess), and (vi) no less favorable to the Group compared to those offered by other independent insurers.

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- Termination : The TakeCare Framework Agreement (i) may be terminated by either party giving no less than a month's prior written notice, (ii) will be automatically terminated if TakeCare ceases to be a connected person under the Listing Rules, (iii) may be terminated if either party commits a material breach that is either non-rectifiable or not rectified within 28 days, and (iv) may be terminated if either party becomes a subject of insolvency or liquidation.
- Pricing : When making a decision to enter into a Medical Insurance Transaction with TakeCare, the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with TakeCare (i) the insurance premium and extent of coverage offered by TakeCare as well as other independent insurers, (ii) the Group's number of employees and policies on staff benefits, and (iii) the Group's own budget and financial position.

Pricing policy and guidelines

As disclosed in the Letter from the Board, the Group has established clear pricing policy and guidelines in respect of Medical Insurance Transactions with TakeCare. When considering any Medical Insurance policy proposal from TakeCare, the management of the relevant Group Company must obtain proposals for a similar policy from at least two independent insurance providers for comparison. The relevant management personnel must then carefully consider the proposals and determine whether the premium rates, policy terms, coverage and benefits offered by TakeCare are fair and reasonable and comparable to those offered by independent insurance providers.

Considering aforesaid, the Directors (including the independent non-executive Directors) are of the view that sufficient procedures are in place to ensure that the Medical Insurance Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

As disclosed in the Letter from the Board, when making a decision on the Medical Insurance Transaction with TakeCare, the Group would take into account, on a case-by-case basis and based on arm's length commercial negotiations with TakeCare (i) the insurance premium and extent of coverage offered by TakeCare as well as other independent insurers, (ii) the Group's number of employees and policies on staff benefits, and (iii) the Group's own budget and financial position.

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In assessing the fairness and reasonableness of the pricing basis under the Medical Insurance Transactions, we have reviewed and compared the terms of five insurance policies offered by TakeCare to the Group insured in Guam and Saipan for the two years ending December 31, 2022 and the terms of 10 corresponding quotations offered by other independent third-party insurers to the Group for similar insurance coverage and size of insured. Given that such independent third-party quotations offered to the Group were obtained from three leading insurers who are comparable with TakeCare in terms of operational scale and provide similar insurance coverage and size of insured in Guam and Saipan for the two years ending December 31, 2022, which demonstrates the recent market prices, we considered such sample size is sufficient and representative. Based on the review of these comparable independent quotations, we noted that the insurance premium offered by TakeCare to the Group were in accordance to the pricing policies of the Group and were no less favourable to the Group than those offered by other independent third-party insurers for comparable insurance coverage and size of insured in Guam and Saipan. In addition, we have reviewed the internal control measures in connection with the Medical Insurance Transactions adopted by the Group as further discussed below. We consider the effective implementation of such internal control measures will help to ensure fair pricing of the Medical Insurance Transactions. In light of the above, we concur with the Management's view that the pricing basis for the Medical Insurance Transactions is fair and reasonable.

Based on the foregoing, we are of the view that the terms of the TakeCare Framework Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concern, and in the interest of the Company as a whole.

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3. Historical transaction amounts and the Proposed TakeCare Annual Caps

The table below sets out the historical transaction amounts and the annual caps for the Medical Insurance Transactions for the three years ending December 31, 2021, and the Proposed TakeCare Annual Caps for the three years ending December 31, 2024:

	Year ended/ending December 31,		
	2019	2020	2021
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Annual caps	1,957	2,196	2,444
Actual aggregate amounts paid to TakeCare	1,638	1,282 ^{<i>Note</i>}	418 ^{<i>Note</i>}
			(for the nine months ended September 30, 2021)
Utilisation rates	83.7%	58.4%	17.1%
	2022	2023	2024
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Proposed TakeCare Annual Caps	1,834	2,933	3,080

Note: As disclosed in the 2019 Annual Report, the 2020 Annual Report and the 2021 Interim Report, the Group had a total of 746, 206 and 190 full-time employees as at December 31, 2019, December 31, 2020 and June 30, 2021 respectively. The substantial decrease in headcount was mainly due to the mass layoff of staff as part of the Group's cost-saving measures during the temporary closure of some of the Group's hotels and resorts from March 2020. With fewer employees, fewer Medical Insurance policies were taken out by the Group. As such, there was low utilisation of the original annual caps under the TakeCare Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

As illustrated in the table above, we noted that the actual aggregate amounts paid to TakeCare for the year ended December 31, 2019 accounted for approximately 83.7% of the annual cap in respect of the Medical Insurance Transactions for the year ended December 31, 2019, which implied that the Company had taken a prudent approach in estimating the transaction amounts in the past.

The tourism industry is known to be one of the industries severely affected by the unprecedented standstill in the globe due to the outbreak of COVID-19 in 2020, the development and impacts of which have surpassed the expectation of the Group and the general public. In particular, the business activities of the cities as a whole, including the hotel and resort operations

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in Guam and Saipan, have been drastically restricted by the prolonged period of lock down and the sporadic changes in travel restriction and quarantine policies by local governments. In view of the above, the mass layoff of staff as part of the Group's cost-saving measures during the temporary closure of some of the Group's hotels and resorts from March 2020, and resulted in fewer Medical Insurance policies were taken out by the Group. As such, there was low utilisation of the annual caps under the TakeCare Framework Agreement for the year ended December 31, 2020 and the nine months ended September 30, 2021.

As disclosed in the Letter from the Board, the Proposed TakeCare Annual Caps were determined with reference to (i) historical amounts under Medical Insurance Transactions in the published information of the Group; (ii) the terms of the underlying Medical Insurance policies; (iii) the prevailing insurance premium offered by TakeCare; (iv) the current number of employees of the Group enrolled in Medical Insurance with TakeCare; and (v) the estimated number of employees of the Group in the future based on estimated operational needs.

In particular, the Proposed TakeCare Annual Caps have been arrived at on the assumptions that (i) Fiesta Resort Saipan and Fiesta Resort Guam will be reopened in March 2022 and April 2022, respectively, (ii) all of the Group's hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in 2023 and 2024; (iii) the Group will have approximately 600 employees for the year ending December 31, 2022; and (iv) the Group will have approximately 800 employees for each of the two years ending December 31, 2024.

In order to assess the fairness and reasonableness of the Proposed TakeCare Annual Caps, we have considered the following factors:

(i) *The historical amounts under Medical Insurance Transactions*

We noted that the annualised amount of insurance premium expected to be paid by the Group in relation to the Medical Insurance Transactions for the year ending December 31, 2021, which is calculated based on the actual aggregate amounts paid to TakeCare for the nine months ended September 30, 2021 of approximately US\$0.4 million, would amount to approximately US\$0.6 million (the "**Annualised Amount Under Medical Insurance Transactions**"). We further noted that the average annualised amount of insurance premium in respect of Medical Insurance per full-time employee would amount to approximately US\$2,900 (the "**Average Insurance Amount Per Employee**") for the year ending December 31, 2021. We consider the year ending December 31, 2021 is representative, which demonstrates the recent insurance premium payable by the Group to TakeCare.

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The insurance premium expected to be paid by the Group in relation to the Medical Insurance Transactions for the year ending December 31, 2022, which is calculated based on the Average Insurance Amount Per Employee of approximately US\$2,900 and 600 full-time employees, would amount to approximately US\$1.7 million and represents approximately 93.6% of the Proposed TakeCare Annual Cap of approximately US\$1.8 million for the year ending December 31, 2022.

Moreover, the insurance premium expected to be paid by the Group in relation to the Medical Insurance Transactions for the two years ending December 31, 2024 would amount to approximately US\$2.3 million (the “**FY2023 Insurance Premium**”) and US\$2.3 million (the “**FY2024 Insurance Premium**”), respectively, which are calculated based on (a) Average Insurance Amount Per Employee of approximately US\$2,900; (b) 800 full-time employees; and (c) all of the Group’s hotels and resorts, luxury travel retail boutiques and destination services will resume full operations in 2023 and 2024. The FY2023 Insurance Premium and the FY2024 Insurance Premium represent approximately 77.9% and 74.2% of the Proposed TakeCare Annual Cap for the two years ending December 31, 2024, respectively.

(ii) Expected growth in the operational scale of the Group

We have discussed with the Management and were given to understand that Guam and Saipan are both viewed as “safe” destinations to global travelers during the pandemic due to the low number of confirmed cases and the low death rates. The Management believes that, when routine flight schedules resume, short-haul and medium-haul trips will be in more demand initially than long-haul vacations, which puts Guam and Saipan at an advantageous position in the Group’s key tourist origin markets. As such, the Management is cautiously optimistic that the Group’s business operations will be able to fully resume in the foreseeable future.

Further, we noted that vaccination rates in the Group’s key tourist origin markets have been picking up, particularly in Japan and South Korea. The increased pace of vaccinations in both countries brings herd immunity within reach. As disclosed in the 2021 Interim Report, on July 1, 2021, lauding the safety measures and cleanliness of the CNMI, three major South Korean travel agencies have come to an agreement with the local government of the CNMI to launch the CNMI as the destination for the first travel bubble with South Korea. This has paved the way for the reopening of the islands to business and leisure travelers. Hence, we concur with the Management’s view that (a) the pent-up thirst for adventure and the lure of beaches and mountains will make it irresistible for people to venture overseas quickly after the pandemic. The Group is prepared and hopes to take advantage of the potentially strong rebound of the leisure travel market for the year ending December 31, 2022; and (b) once COVID-19 is effectively under control and herd immunity is achieved in more countries, the Group could expect a full and sustained reopening of borders and a meaningful recovery in the global tourism industry for the two years ending December 31, 2024.

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Taking into consideration (a) the expected demand for the Group's tourism products and services from the Group's key tourist origin markets; (b) that Fiesta Resort Saipan and Fiesta Resort Guam will be reopened in March 2022 and April 2022, respectively, after the completion of renovation; (c) that with the rising vaccination rates of the local communities, the local governments of the CNMI and Guam decided to progressively lift various precautionary measures (including but not limited to travel bans and mandatory quarantine requirements) and gradually reopen borders to business and leisure travelers; and (d) that the Group had 746 full-time employees as at December 31, 2019 prior to the impact of the pandemic, we concur with the Management's view that (a) the increase in number of full-time employees from 190 as at June 30, 2021 to 600 for the year ending December 31, 2022; and (b) the further increase in number of full-time employees to 800 for the two years ending December 31, 2024 are justifiable to cater to the potentially strong rebound of the leisure travel business.

(iii) The insurance premium offered by TakeCare

We have discussed with the Management and were given to understand that the medical and healthcare costs are expected to increase by 5% per annum. We have reviewed the research, statistics and data published by The Centers for Medicare & Medicaid Services, which is part of the U.S. Department of Health and Human Services, and noted that the national health spending is projected to grow at an average annual rate of 5.4% for 2019 to 2028. We have also reviewed the report published by PwC Health Research Institute, a reputable research institute, and noted that the medical cost is projected to increase by 6.5% in 2022. In light of the above, we consider the 5% increment of the medical and healthcare costs per annum is justifiable.

As advised by the Management, the Group intends to upgrade its insurance policy for the year ending December 31, 2023 by increasing the extent of insurance coverage, thereby improving the Group's benefit package to attract more quality staff and retain the current staff. Therefore, the insurance premium offered by TakeCare is expected to increase moderately for the year ending December 31, 2023 as compared to the year ending December 31, 2022.

From the discussion with the Management, we also noted that the Proposed TakeCare Annual Caps were determined after applying additional buffer to cater to, among others, the expected increase in the medical and healthcare costs, projected inflation and unexpected business growth hence increase in headcount, and on the principal assumptions that, during the three years ending December 31, 2024, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group. As such, the Directors are of the view, and we concur, that the additional buffer provides the Group with flexibility to ensure stable and smooth operations of the Group.

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Taking into consideration of (i) the reasons for and benefits of the Medical Insurance Transactions as discussed above; (ii) the historical amounts under Medical Insurance Transactions for the year ended December 31, 2019, which demonstrated the Company had taken a prudent approach in estimating the transaction amounts in the past; (iii) the bases and assumptions of the Proposed TakeCare Annual Caps are generally in line with those adopted in computing the historical annual caps; (iv) the expected growth of number of the Group's employees driven by the pent-up travel demand for the Group's tourism products and services from the Group's key tourist origin markets when the negative impact of COVID-19 pandemic on the economy and business operation subsides; (v) the expected increase in insurance premium offered by TakeCare; and (vi) the additional buffer provides the Group with flexibility to ensure stable and smooth operations of the Group, we are of the view that the Proposed TakeCare Annual Caps and the major factors considered as the bases of determining the Proposed TakeCare Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

However, the Shareholders should note that as the Proposed TakeCare Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to December 31, 2024, and they do not represent any forecasts or estimations of the Group's financial performance. Consequently, we express no opinion as to how closely the actual future transaction amounts of the continuing connected transactions will correspond with the Proposed TakeCare Annual Caps.

D. INTERNAL CONTROL MEASURES

As stated in the Letter from the Board, the Group will adopt the following internal control measures in connection with the Holiday Package Transactions and Medical Insurance Transactions:

- (a) The Audit Committee, which comprises only of the Group's independent non-executive Directors, continuously monitors and will continuously monitor the Group's continuing connected transactions on an on-going basis.
- (b) On an annual basis, an annual review report on continuing connected transactions will be compiled by the Audit Committee. The Audit Committee will carefully consider whether all of the continuing connected transactions of the Group are entered into in the ordinary and usual course of business of the Group, on normal commercial terms or, if applicable, on terms no less favorable to the Group than those available to or from (as appropriate) independent third parties, and are fair and reasonable to the Group and in the interests of the Company and the Shareholders as a whole.

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- (c) The Audit Committee is also empowered with various functions and powers to safeguard the annual review of the continuing connected transactions, including but not limited to meeting every six months to review the reports on continuing connected transactions, authority to appoint any financial or legal adviser as it considers necessary for its review, power to require alterations, modifications or changes to the terms of the continuing connected transactions in whatever manner as the independent non-executive Directors see fit to ensure all continuing connected transactions are carried out on an arm's length basis.
- (d) Directors who may be perceived to have conflicts of interests, such as Directors who hold controlling interests in the connected persons, will not participate in any meetings or discussions of the Board and the Audit Committee, or be included in any decision making processes relating to such conflicting matters.
- (e) In addition, the Audit Committee is also empowered under the QZ Framework Agreement to consider and, if appropriate, give specific and express approval to all annual sales agreements and individual purchase orders exceeding HK\$3.0 million on an annual aggregate basis (being the *de minimis* threshold under Rule 14A.76(1) of the Listing Rules).

As the above internal control procedures would be reviewed by the Audit Committee and the auditors of the Group to ensure full compliance with the Listing Rules, we concur with the Directors' view that there are adequate internal control procedures and external supervision measures to ensure that the Holiday Package Transactions and the Medical Insurance Transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the renewal of the QZ Framework Agreement and the TakeCare Framework Agreement are in the ordinary and usual course of business of the Group; and (ii) the terms of the QZ Framework Agreement and the TakeCare Framework Agreement are on normal commercial terms, and together with the adoption of the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

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Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the renewal of the QZ Framework Agreement and the TakeCare Framework Agreement and the transactions respectively contemplated thereunder (including the Proposed QZ Annual Caps and the Proposed TakeCare Annual Caps).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO (Chapter 571 of the laws of Hong Kong). She has over 15 years of experience in the securities and investment banking industries.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm to the best of their knowledge and belief that the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At the Latest Practicable Date, the interests and short positions of the Directors or the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Directors	Number of Shares			Percentage of interests in the Company as at the Latest Practicable Date ^(a)
	Personal interests (held as beneficial owner)	Corporate interests (interests of controlled corporations)	Total interests	
Dr. Tan Siu Lin ^(b)	—	270,000,000	270,000,000	75%
Dr. Tan Henry ^(c)	—	270,000,000	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares issued (i.e. 360,000,000) as at the Latest Practicable Date.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success Limited ("**Supreme Success**"), which is the registered owner of the entire interests in Leap Forward Limited ("**Leap Forward**") as the trustee of a discretionary family trust, (iii) he and Dr. Tan Henry together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.
- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Siu Lin together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward and are thus entitled to exercise the voting rights in Leap Forward, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Henry. He is also the founder of a discretionary family trust which is the registered owner of a 20% interest in Tan Holdings.

As at the Latest Practicable Date, save as disclosed above, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be entered on the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, so far as was known to the Directors, the interests and short positions of the persons (other than the interests and short positions of the Directors or chief executive of the Company as disclosed above) in the Shares and/or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company are set out below:

Shareholders	Capacity/Nature of interests	Number of Shares	Percentage of interest in the Company as at the Latest Practicable Date ^(a)
Dr. Tan Siu Lin ^(b)	Interests in a controlled corporation	270,000,000	75%
Dr. Tan Henry ^(c)	Interests in a controlled corporation	270,000,000	75%
THC Leisure ^(d)	Beneficial interests	270,000,000	75%
Tan Holdings ^(d)	Interests in a controlled corporation	270,000,000	75%
Leap Forward ^(d)	Interests in a controlled corporation	270,000,000	75%
Supreme Success ^(d)	Interests in a controlled corporation	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares in issue (i.e. 360,000,000) as at the Latest Practicable Date.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Henry together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward, and are thus entitled to exercise the voting rights in Leap Forward, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.

- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward as the trustee of a discretionary family trust, (iii) he and Dr. Tan Siu Lin together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward and are thus entitled to exercise the voting rights in Leap Forward, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Henry. He is also the founder of a discretionary family trust which is the registered owner of a 20% interest in Tan Holdings.
- (d) THC Leisure directly holds 270,000,000 Shares (representing 75% of the Company's entire issued share capital). THC Leisure is 100% directly owned by Tan Holdings. Leap Forward holds 39% interest in Tan Holdings directly and Supreme Success holds 100% interest in Leap Forward.

As at the Latest Practicable Date, save as disclosed above, so far as was known to the Directors, no other person (other than the Directors or chief executive of the Company) had any interests or short position in the Shares and/or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as notified to the Company.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2020, being the date up to which the latest published audited consolidated financial statements of the Group were made.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has made statement in this circular:

Name	Qualification
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Lego Corporate Finance Limited, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, recommendation, opinion and/or references to its name in the form and context in which they are included.

7. EXPERT'S INTERESTS

As at the Latest Practicable Date,

- (a) the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been, since December 31, 2020, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired, disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group were engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business, which competes or may compete with the businesses of the Group (which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder of the Company).

10. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had, since December 31, 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by, or leased to, the Company or any member of the Group, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group; and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at such date and which was significant in relation to the businesses of the Group as at the Latest Practicable Date.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.saileisuregroup.com) for a period of 14 days from the date of this circular:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 26 to 27 of this circular;
- (b) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-29 of this circular;
- (c) the QZ Framework Agreement;
- (d) the TakeCare Framework Agreement; and
- (e) this circular.

12. GENERAL

- (a) The address of the registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The head office and principal place of business of the Company is at 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Ms. Cheung Pik Shan Bonnie, who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (c) The principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of S.A.I. Leisure Group Company Limited (the “**Company**”) will be held at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Hong Kong on Thursday, December 23, 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the automatic renewal of the term of the QZ Framework Agreement (as defined in the circular of the Company dated December 3, 2021 (the “**Circular**”), a copy of which is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose) for the period of three years from January 1, 2022 to December 31, 2024 and the Holiday Package Transactions (as defined in the Circular) contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the Proposed QZ Annual Caps (as defined in the Circular) in relation to the Holiday Package Transactions contemplated under the QZ Framework Agreement for each of the three years ending December 31, 2024 as set out in the Circular be and are hereby approved; and
- (c) any one director of the Company (the “**Director**”) be and is hereby generally and unconditionally authorized to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the QZ Framework Agreement or the Holiday Package Transactions contemplated thereunder as aforesaid.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. “**THAT:**

- (a) the automatic renewal of the term of the TakeCare Framework Agreement (as defined in the Circular, a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) for the period of three years from January 1, 2022 to December 31, 2024 and the Medical Insurance Transactions (as defined in the Circular) contemplated thereunder be and are hereby approved, ratified and confirmed in all respects;
- (b) the Proposed TakeCare Annual Caps (as defined in the Circular) in relation to the Medical Insurance Transactions contemplated under the TakeCare Framework Agreement for each of the three years ending December 31, 2024 as set out in the Circular be and are hereby approved; and
- (c) any one Director be and is hereby generally and unconditionally authorized to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the TakeCare Framework Agreement or the Medical Insurance Transactions contemplated thereunder as aforesaid.”

By order of the Board
S.A.I. Leisure Group Company Limited
Henry Tan, BBS, JP
Vice Chairman, Executive Director
and Chief Executive Officer

Hong Kong, December 3, 2021

Notes:

- 1. A member of the Company (the “**Member**”) entitled to attend and vote at the EGM or its adjourned meeting (as the case may be) is entitled to appoint another person as his/her/its proxy to attend and, on a poll, vote in his/her/its stead. A Member who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it and, on a poll, vote on his/her/its behalf. A proxy need not be a Member.
- 2. In order to be valid, the duly completed and signed form of proxy together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be deposited at the office of 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 not later than 48 hours before the time appointed for holding the EGM or its adjournment.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. The record date for determining Shareholder's entitlement to attend and vote at the EGM is falling on Friday, December 17, 2021. In order to qualify for attending and voting at the EGM, non-registered Shareholders must lodge all duly completed transfer forms accompanied by the relevant share certificates 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 Friday, December 17, 2021.
4. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and Article 66(1) of the Articles of Association, any vote of Shareholders at a general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to the vote at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
5. Subject to paragraph 6 below, if a tropical cyclone warning signal No. 8 or above is expected to be hoisted or a rainstorm warning signal is expected to be in force at any time between 7:00 a.m. and 5:00 p.m. on the date of the EGM, the EGM will be postponed and the Members will be informed of the date, time and venue of the postponed EGM by an announcement posted on the respective websites of the Company and the Stock Exchange.
6. If a tropical cyclone warning signal No. 8 or above or a rainstorm warning signal is lowered or cancelled at or before three hours before the time fixed for holding the EGM and where conditions permit, the EGM will be held as scheduled.
7. The EGM will be held as scheduled when an amber or a thunderstorm warning signal or typhoon signal No. 3 or below is in force.
8. After considering their own situations, the Members should decide on their own as to whether they would attend the EGM under any bad weather condition and if they do so, they are advised to exercise care and caution.
9. To protect all Members and attendees from the risk of infection of COVID-19, the Company will implement the following precautionary and control measures at the EGM against the pandemic:
 - (i) Compulsory body temperature check
 - (ii) Compulsory wearing of surgical facial masks
 - (iii) Mandatory health declaration
 - (iv) Maintaining a safe distance between seats
 - (v) No provision of refreshments or beverages
10. Should any person seeking to attend the EGM decline to submit to these requirements or be found to be suffering from a fever (i.e. having a body temperature of over 37.5 degrees Celsius) or otherwise unwell, the Company reserves the right to refuse such person's admission to the EGM.
11. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the EGM through video conference or similar electronic means.

NOTICE OF EXTRAORDINARY GENERAL MEETING

12. Subject to the development of COVID-19, the Company may change the EGM arrangements at short notice and may issue further announcement as appropriate. Members should check the Company's website (www.saileisuregroup.com) for updates on the latest arrangement of the EGM.
13. The translation into Chinese language of this Notice is for reference only. In case of any inconsistency, the English version shall prevail.

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