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

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

**(Stock Code: 1832)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

## GROUP FINANCIAL HIGHLIGHTS

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | ***US$'000*** | *US$'000* |
| Revenue | **15,751** | 19,801 |
| Operating loss | **(12,472)** | (6,247) |
| Loss attributable to owners of the Company | **(11,425)** | (5,952) |
| Profit margin (ratio of loss attributable to owners of the Company to revenue) | **-72.5%** | -30.1% |
| Basic loss per share *(US cents)* | **(3.2)** | (1.7) |

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2022 (the "**Year**").

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

*YEAR ENDED DECEMBER 31, 2022*

| | Note | 2022 US$'000 | 2021 US$'000 |
|---|---|---|---|
| Revenue | 4 | **15,751** | 19,801 |
| Cost of inventories sold | | **(4,680)** | (3,301) |
| Food and beverage costs | | **(538)** | (617) |
| Employee benefit expenses | | **(7,383)** | (6,083) |
| Utilities, repairs and maintenance | | **(3,895)** | (2,104) |
| Other gains, net | 5 | **2** | 55 |
| Other operating costs | | **(11,194)** | (12,130) |
| Other expenses | | **(535)** | (1,868) |
| **Operating loss** | | **(12,472)** | (6,247) |
| Finance income | 6 | **1** | 33 |
| Finance costs | 6 | **(1,287)** | (977) |
| Finance costs, net | 6 | **(1,286)** | (944) |
| **Loss before tax** | 7 | **(13,758)** | (7,191) |
| Income tax credit | 8 | **2,264** | 1,051 |
| **Loss for the year** | | **(11,494)** | (6,140) |
| **Other comprehensive loss** | | | |
| Item that may be reclassified to profit or loss in subsequent years | | | |
| — Change in value of debt investment at fair value through other comprehensive income | | **—** | (29) |
| **Total comprehensive loss for the year** | | **(11,494)** | (6,169) |
| **Loss attributable to:** | | | |
| Shareholders of the Company | | **(11,425)** | (5,952) |
| Non-controlling interests | | **(69)** | (188) |
| | | **(11,494)** | (6,140) |
| **Total comprehensive loss attributable to:** | | | |
| Shareholders of the Company | | **(11,425)** | (5,981) |
| Non-controlling interests | | **(69)** | (188) |
| | | **(11,494)** | (6,169) |
| **Loss per share attributable to shareholders of the Company** | | | |
| — Basic and diluted (US cents) | 10 | **(3.2)** | (1.7) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*DECEMBER 31, 2022*

| | Note | **2022** | 2021 |
|---|---|---|---|
| | | ***US$'000*** | *US$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **130,164** | 102,300 |
| Investment properties | | **2,037** | 2,133 |
| Intangible assets | | **61** | 108 |
| Deferred tax assets | | **6,490** | 4,341 |
| Prepayments and deposits | | **1,301** | 839 |
| Total non-current assets | | **140,053** | 109,721 |
| **Current assets** | | | |
| Inventories | | **1,435** | 2,562 |
| Trade receivables | *11* | **9,275** | 12,951 |
| Prepayments, deposits and other receivables | | **1,718** | 955 |
| Amounts due from related parties | | **15** | 1 |
| Income tax recoverable | | **2,561** | 2,561 |
| Cash and cash equivalents | | **3,451** | 8,077 |
| Total current assets | | **18,455** | 27,107 |
| **Total assets** | | **158,508** | 136,828 |
| **EQUITY** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Issued share capital | | **461** | 461 |
| Share premium | | **38,122** | 38,122 |
| Capital reserve | | **27,006** | 27,006 |
| Other reserve | | **4,836** | 4,836 |
| Retained earnings | | **4,094** | 15,519 |
| | | **74,519** | 85,944 |
| Non-controlling interests | | **(342)** | (273) |
| **Total equity** | | **74,177** | 85,671 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*DECEMBER 31, 2022*

| | *Note* | **2022** *US$'000* | 2021 *US$'000* |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Other borrowings | | **1,800** | — |
| Lease liabilities | | **17,523** | 18,760 |
| Total non-current liabilities | | **19,323** | 18,760 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **10,077** | 13,705 |
| Bank borrowings | | **48,000** | 17,000 |
| Other borrowings | | **5,015** | — |
| Lease liabilities | | **1,268** | 1,539 |
| Amounts due to related parties | | **611** | 116 |
| Income tax payable | | **37** | 37 |
| Total current liabilities | | **65,008** | 32,397 |
| **Total liabilities** | | **84,331** | 51,157 |
| **Total equity and liabilities** | | **158,508** | 136,828 |

# NOTES TO FINANCIAL INFORMATION

## 1 Corporate and Group Information

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

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

The immediate holding company and intermediate holding company of the Company are THC Leisure Holdings Limited ("**THC Leisure**") and Tan Holdings Corporation ("**Tan Holdings**"), respectively. Dr. Tan Siu Lin and Dr. Tan Henry (the son of Dr. Tan Siu Lin) are ultimate controlling parties.

## 2.1 Basis of Preparation

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

***Going concern***

As at December 31, 2022, the Group had net current liabilities of US$46,553,000 and incurred a net loss of US$11,494,000 for the year then ended. Included in its current liabilities was an interest-bearing term loan of US$43,000,000 with scheduled repayments starting from September 2023 and a revolving loan of US$5,000,000, both of which are repayable on demand, for the renovation and upgrade works of hotels in Guam and Saipan ("**Renovation**"), and its cash and cash equivalents amounted to approximately US$3,451,000. Moreover, the Group had capital commitments of US$4,290,000 as at December 31, 2022 in relation to the Renovation which are expected to be settled during the first half of the year ending December 31, 2023.

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

(i) Pursuant to the terms and conditions of the facility with the bank, the Group will be subject to certain undertakings including but not limited to financial covenants and completion of the Renovation by an agreed date. The bank has acknowledged the Group's latest expected renovation completion date to be in the first half of 2023. The Group closely monitors its compliance with the undertakings and financial covenants of the banking facility. When there is any potential breach of undertaking or financial covenants envisaged, the Group will actively negotiate with the bank to obtain a waiver for the relevant undertaking or financial covenants to avoid the bank from requesting for immediate repayment of any outstanding bank borrowings drawn under the facility, such that the facility and bank borrowings will continue to be available to the Group.

    In the opinion of the Directors, the Group has been able to comply with all undertakings and financial covenants in connection with the Group's bank borrowings during the year then ended. Based on the latest communications between management and the bank, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment of the bank borrowings. Furthermore, as the banking facility is fully secured by certain of the Group's hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track record and relationship the Group has with the bank;

(ii) The Group's hotels in Guam and Saipan reopened in the last quarter of 2022. Although the full resumption of the hotel operations and the resulting performance is highly dependent on the post-COVID 19 travel sentiments and the resumption of flights, the Group is cautiously optimistic that the leisure travel market and the Group's business operations are gradually recovering, and that the hotels are expected to generate operating cash inflows to the Group;

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

(iv) The Group has obtained shareholder loans facility of US$13,000,000 and US$8,000,000 during the year and subsequent to the year end, respectively and a commitment of financial support from Tan Holdings which has committed to providing financial support to enable the Group to meet its liabilities when they fall due in the foreseeable future (at least twelve months from the date of the consolidated financial statements). Tan Holdings has undertaken not to demand repayment of the amount due to it by the Group until the Group is in a position to repay without impairing its liquidity and financial position; and

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

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from December 31, 2022. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due for a period of not less than twelve months from December 31, 2022. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Group for the year ended December 31, 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

## 2.2 Changes in Accounting Policies and Disclosures

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

| | |
|---|---|
| Amendments to HKFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to HKAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to HKAS 37 | *Onerous Contracts — Cost of Fulfilling a Contract* |
| *Annual Improvements to HKFRSs 2018–2020* | Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 |

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there was no business combination during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022 and the amendment did not have any impact on the financial position or performance of the Group.

## 3 Segment information

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

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

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

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

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

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

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

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

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2022 and 2021 is as follows:

| | Hotels and resorts | | Luxury travel retail | | Destination services | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* | ***US$'000*** | *US$'000* |
| **Segment revenue** | | | | | | | | |
| Sales to external customers | **8,060** | 15,234 | **7,448** | 4,371 | **243** | 196 | **15,751** | 19,801 |
| Intersegment sales | **13** | — | **—** | — | **—** | — | **13** | — |
| | **8,073** | 15,234 | **7,448** | 4,371 | **243** | 196 | **15,764** | 19,801 |
| Reconciliation: | | | | | | | | |
| Elimination of intersegment sales | | | | | | | **(13)** | — |
| | | | | | | | **15,751** | 19,801 |
| Segment results | **(10,064)** | (3,421) | **(146)** | (979) | **(449)** | (186) | **(10,659)** | (4,586) |
| Other gains, net | | | | | | | **2** | 55 |
| Corporate and other unallocated expenses | | | | | | | **(1,815)** | (1,716) |
| Finance income | | | | | | | **1** | 33 |
| Finance costs | | | | | | | **(1,287)** | (977) |
| **Loss before tax** | | | | | | | **(13,758)** | (7,191) |
| Income tax credit | | | | | | | **2,264** | 1,051 |
| **Loss for the year** | | | | | | | **(11,494)** | (6,140) |
| **Other segment information:** | | | | | | | | |
| Depreciation for property, plant and equipment: | | | | | | | | |
| Segment assets | **3,464** | 3,284 | **643** | 957 | **41** | 22 | **4,148** | 4,263 |
| Unallocated assets | | | | | | | **11** | 57 |
| | | | | | | | **4,159** | 4,320 |
| Depreciation for investment properties | **98** | 97 | **—** | — | **—** | — | **98** | 97 |
| Amortization for intangible assets | **37** | 101 | **12** | 20 | **—** | — | **49** | 121 |
| Provision for obsolete inventory | **—** | — | **—** | 344 | **—** | — | **—** | 344 |
| Provision for impairment of trade receivables | **—** | 115 | **—** | — | **5** | — | **5** | 115 |
| Write-off of property, plant and equipment and investment properties | **530** | 1,341 | **—** | — | **—** | — | **530** | 1,341 |
| Impairment loss on property, plant and equipment | **—** | — | **—** | 68 | **—** | — | **—** | 68 |
| **Capital expenditure*:** | | | | | | | | |
| Segment assets | **32,452** | 51,097 | **218** | 2,086 | **46** | 143 | **32,716** | 52,325 |
| Unallocated assets | | | | | | | **—** | 2 |
| | | | | | | | **32,176** | 53,327 |

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

***Geographical information***

*(a) Revenue from external customers*

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Saipan | **8,635** | 15,943 |
| Guam | **5,502** | 2,426 |
| Hawaii | **1,614** | 1,432 |
| | **15,751** | 19,801 |

The revenue information above is based on the locations at which the services were rendered or the goods delivered.

*(b) Non-current assets*

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Saipan | **55,071** | 39,553 |
| Guam | **75,425** | 62,110 |
| Hawaii | **2,229** | 2,860 |
| Hong Kong | **2** | 18 |
| | **132,727** | 104,541 |

The non-current assets information above is based on the locations of assets and excludes financial instruments and deferred tax assets.

***Information about major customers***

The revenue from external parties is derived from numerous external customers and the revenue reported to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

Revenue individually generated from the following customer in the hotels and resorts segment contributed more than 10% of the total revenue of the Group:

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Customer A | **6,224** | 14,543 |

All other customers individually accounted for less than 10% of the Group's revenue for the year ended December 31, 2022 and 2021.

## 4 Revenue

An analysis of revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| *Revenue from contracts with customers* | | |
| Hotels and resorts operations | **7,971** | 15,135 |
| Luxury retail, souvenir and convenience stores operations | **7,676** | 4,567 |
| Excursion tour services | **15** | — |
| | **15,662** | 19,702 |
| *Revenue from an other source* | | |
| Rental income | **89** | 99 |
| | **15,751** | 19,801 |

## 5 Other gains, net

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Net exchange gains/(losses) | **2** | (8) |
| Gains on disposal of property, plant and equipment | **—** | 86 |
| Gains on early termination of lease contracts | **—** | 2 |
| Loss on disposal of financial asset at fair value through other comprehensive income | **—** | (25) |
| | **2** | 55 |

## 6 Finance costs, net

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Finance income: | | |
| — Interest income from bank deposits | **1** | 33 |
| Finance costs: | | |
| — Interest expenses on lease liabilities | **(906)** | (970) |
| — Interest expenses on Paycheck Protection Program loans, net of amounts forgiven | **32** | (7) |
| — Interest expenses on bank borrowings | **(1,450)** | (94) |
| — Interest expenses on other borrowings | **(15)** | — |
| | **(2,339)** | (1,071) |
| Less: Amounts capitalized in the property, plant and equipment | **1,052** | 94 |
| | **(1,287)** | (977) |
| Finance costs, net | **(1,286)** | (944) |

## 7 Loss before tax

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Cost of inventories sold | **4,680** | 3,301 |
| Food and beverage costs | **538** | 617 |
| Employee benefit expenses (including directors' remuneration): | | |
| Wages, salaries and other benefits | **7,325** | 6,025 |
| Pension scheme contributions (defined contribution scheme)** | **58** | 58 |
| | **7,383** | 6,083 |
| Lease payment not included in the measurement of lease liabilities | **786** | 530 |
| Depreciation on property, plant and equipment | **4,159** | 4,320 |
| Depreciation on investment properties | **98** | 97 |
| Amortization on intangible assets*** | **49** | 121 |
| Impairment of trade receivables* | **5** | 115 |
| Write-down of inventories to net realizable value* | **—** | 344 |
| Write-off of property, plant and equipment and investment properties* | **530** | 1,341 |
| Impairment of property, plant and equipment* | **—** | 68 |
| Auditors' remuneration | **220** | 169 |

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

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

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

## 8 Income tax credit

No provision for Hong Kong, the Commonwealth of Northern Mariana Islands (the "**CNMI**"), Guam and Hawaii profits tax has been made for the year ended December 31, 2022 and 2021 as the Group did not generate any assessable profits arising in the Hong Kong, CNMI, Guam and Hawaii during the year (2021: Nil).

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Current: | | |
| Over-provision in prior years | **115** | — |
| Deferred | **2,149** | 1,051 |
| | **2,264** | 1,051 |

## 9 Dividend

The board of directors does not recommend the payment of any dividend for the year ended December 31, 2022 (2021: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to shareholders of the Company of US$11,425,000 (2021: US$5,952,000), and the weighted average number of ordinary shares of 360,000,000 (2021: 360,000,000) in issue during the year.

No adjustment has been made to the basic loss per share amount presented for each of the years ended December 31, 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year ended December 31, 2022 and 2021.

## 11 Trade receivables

The aging analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of loss allowance, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **62** | 1,789 |
| 31 to 60 days | **41** | 1,665 |
| 61 to 90 days | **4** | 1,272 |
| Over 90 days | **9,168** | 8,225 |
| | **9,275** | 12,951 |

## 12 Trade and other payables

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Trade payables | **1,160** | 1,155 |
| Accruals and other payables | **8,917** | 12,550 |
| | **10,077** | 13,705 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **856** | 642 |
| 31 to 60 days | **102** | 71 |
| 61 to 90 days | **6** | 62 |
| Over 90 days | **31** | 330 |
| | **995** | 1,105 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| Within 30 days | **4** | 1 |
| 31 to 60 days | **9** | 4 |
| 61 to 90 days | **3** | 22 |
| Over 90 days | **149** | 23 |
| | **165** | 50 |

## 13 Event after the reporting period

On February 28, 2023, the Group entered into a loan agreement with Tan Holdings for loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 2 years from the date of the loan agreement.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Overview

While people around the world speculated that the effect of the COVID-19 would gradually fade out in 2022, the Omicron variant of the coronavirus swept through the globe at the start of 2022 and brought massive waves of infections in different countries. Despite the fact that people recognized the endemic nature of the coronavirus and have conformed to "co-living with the virus", the high death rate of the Omicron variant and the dynamic nature of the variants of the coronavirus have protracted the recovery pace of the global tourism industry.

Having said that, riding on the increasing vaccination rate and further emphasis on the booster shot, countries like Japan and South Korea, our key tourist origin markets, have scrapped travel restrictions and gradually reopened borders for international travelers since April 2022. With effect from June 1, 2022, arrival control in Japan was further relaxed and travelers returning to Japan from the U.S. are no longer required to be tested nor be subject to quarantine requirements, regardless of whether they have a vaccination certificate or not. Similarly, the government of South Korea has extensively eased the overseas arrival protocols with effect from June 1, 2022, and PCR test is only required for overseas arrivals and no subsequent antigen test result is required to be reported. The relaxation of the overseas arrival protocols expedited the gradual resumption of flights from our key tourist origin markets to Saipan and Guam, unleashing the pent-up travel demand since the lock down due to COVID-19.

Since the start of 2022, both Guam and Saipan have lifted the mandatory quarantine requirement for arriving travelers regardless of their citizenship or vaccination status. With the high local vaccination rate, the government of Guam and the Commonwealth of Northern Mariana Islands (the "**CNMI**") further removed various social distancing restrictions that have been in place in past years to reopen tourism to Guam and the CNMI. During the year, Guam recorded a total of 328,446 tourist arrivals, which was 313.7% of that of 2021. Out of which, approximately 60.0% of the total tourist arrivals was from South Korea and over 7.0% was from Japan. On the other hand, the tourism resumption investment plan ("**TRIP**") task force of the CNMI and the government of South Korea jointly launched the travel bubble agreement in late 2021. Such travel bubble agreement rejuvenated the tourism market with South Korea and was completed in June 2022. For the Japan market, the TRIP task force also worked on launching a 13-month flight promotion program with airlines in September 2022. Such flight promotion program enticed the resumption of flights between Japan and Saipan, supporting the revival of the CNMI's tourism industry. During the Year, as per the Visitor Arrival Statistics published by the Marianas Visitors Authority, the CNMI recorded a total of 96,521 tourist arrivals, which was 661.0% of that of 2021 and among which over 77.0% tourist arrivals were from South Korea and approximately 2.2% tourist arrivals were from Japan.

During the Year, Kanoa Resort continued to support the local government authorities of the CNMI by providing its hotel rooms, facilities and meal services to persons subject to mandatory quarantine requirements upon arrivals or during their stay in Saipan until the relevant emergency contract completed on July 30, 2022. Kanoa Resort is currently closed, and the Group is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort in order for it to be reopened as "voco Resort Saipan" in the near future. On the other hand, the renovation and rebranding works of Crowne Plaza Resort Saipan (formerly known as "Fiesta Resort Saipan") has substantially been completed and the grand opening of Crowne Plaza Resort Saipan was held on October 31, 2022. Furthermore, with the substantial completion of the renovation and rebranding works of Crowne Plaza Resort Guam (formerly known as "Fiesta Resort Guam") with the exception of certain outdoor facilities in late 2022, IHC Hotel Limited (the "**Hotel Manager**") has confirmed to soft open the resort to capture the accelerating market demand on November 16, 2022. The grand opening of Crowne Plaza Resort Guam was held on March 28, 2023 after the completion of the aforesaid outdoor facilities. Century Hotel and all the Group's luxury travel retail boutiques in Guam and Hawaii continued to be open for business throughout the Year. Two out of the Group's five luxury travel retail boutiques in Saipan and one of the Group's three excursion tours have resumed business at different times during the Year.

**Revenue and Operating Loss**

For the Year, the Group recorded a revenue of US$15,751,000, representing a decrease of US$4,050,000 or 20.5% from US$19,801,000 in the preceding year. The total revenue from our Saipan businesses dropped by 45.8% whilst our Guam businesses first recorded an increase of 126.8% since the pandemic. The significant decrease in the revenue from Saipan businesses was mainly due to the continuous decrease in the occupancy of Kanoa Resort as a result of the relaxation of quarantine requirements. On July 30, 2022, the relevant emergency contract between one of the Group's subsidiaries and the CNMI Homeland Security and Emergency Management was completed and Kanoa Resort has closed since then. On the contrary, riding on the gradual recovery of the tourism market and economy of Guam, the revenue from our Guam businesses increased significantly, especially the luxury travel retail segment, which increased by 106.3%.

Despite the fact that the market is on its recovery path, the Group adheres to implementing effective cost-saving measures throughout the Year. The operating loss of the Group for the Year was US$12,472,000, representing an increase in loss of US$6,225,000 when compared with an operating loss of US$6,247,000 in the preceding year. The significant increase in the operating loss was mainly due to (1) a decrease in revenue generated by the Group's hotels and resorts segment due to (i) the decrease in occupancy of Kanoa Resort in view of the relaxation of mandatory quarantine requirements in Saipan, (ii) the completion of the emergency contract in respect of Kanoa Resort with the CNMI Government in July 2022, and (iii) the temporary closure of Kanoa Resort after completion of the emergency contract for the purpose of carrying out planning and design work for the renovation and rebranding of the hotel as "voco Resort Saipan" in the near future; (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US$530,000 as a result of the renovation works anticipated to be carried out to Kanoa Resort; and (3) an increase in operating expenses due to the incurrence of one-time pre-opening expenses for Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam amounting to approximately US$209,000 and approximately US$186,000, respectively. The said amount of operation loss has taken into account, amongst others, the recognition of depreciation and amortization expenses (non-cash items) relating to the Group's assets of approximately US$4,306,000.

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

**Segmental Review**

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 51.2%, 47.3% and 1.5% of the Group's total revenue for the Year respectively.

***Hotels & Resorts Segment***

For the Year, revenue generated from the Hotels & Resorts Segment was approximately US$8,060,000, representing a decrease of US$7,174,000 or 47.1% when compared to the preceding year. The substantial decrease in revenue engendered a negative segmental operating margin of the Hotels & Resorts Segment, which is mainly due to (1) the continuous decrease in the occupancy of Kanoa Resort as a result of the relaxation of the quarantine requirements; (2) Kanoa Resort has completed the emergency contract with the local government authorities in July 2022 and it has closed since then; and (3) the closure of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan for a majority of the Year for the purpose of carrying out renovation and upgrade works. Century Hotel is the only hotel of the Group that has remained in operation throughout the Year.

Effective cost-saving measures continue to be implemented throughout the Year to alleviate the negative financial impact of the pandemic. For the twelve months ended December 31, 2022, the total operating costs of the Hotels & Resorts Segment were comparable to that of the preceding year despite the fact that two out of the Group's four hotels have resumed operation in mid-October and mid-November of the Year, respectively. Included in the operating loss were (1) a one-time write-off of the Group's property, plant and equipment amounting to approximately US$530,000 as a result of the preparation work for the upcoming renovation and rebranding of Kanoa Resort; and (2) one-time pre-opening expenses for Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam amounting to approximately US$209,000 and approximately US$186,000, respectively. Depreciation and amortization expenses (non-cash items) for 2022 under the Hotels & Resorts Segment was approximately US$3,599,000.

*Crowne Plaza Resort Guam*

The renovation and upgrade works under the asset rejuvenation plan of Crowne Plaza Resort Guam continued throughout the Year. By mid-November 2022, the renovation and upgrade works of the hotel have been substantially completed except for certain outdoor facilities. Riding on the gradual recovery of the tourism market in Guam and the completion of renovation and upgrade works of the guestrooms, exteriors and public area, the Hotel Manager confirmed to soft open the resort to capture the accelerating market demand.

After the end of the Year, the Group's management continued to focus our efforts on completing the renovation and upgrade works of the outdoor facilities. On March 28, 2023, the grand opening of Crowne Plaza Resort Guam was held upon the completion of the aforesaid outdoor facilities. The newly renovated Crowne Plaza Resort Guam is strategically located on the beaches of Tumon Bay, the tourism center of Guam, and is within walking distance to Guam's central shopping and entertainment district. It is a premium family-style resort offering a full range of services in respect of leisure and entertainment, meeting and events, dining and accommodation. Being the newest hotel in town, the Group's management is confident that the hotel will be uniquely positioned to capture the pent-up travel demand.

*Crowne Plaza Resort Saipan*

Since 2020, the Group has been carrying out renovation and upgrade works to Crown Plaza Resort Saipan as part of the asset rejuvenation plan and rebranding works under the hotel management agreement with the Hotel Manager to prepare for the reopening of the hotel under the new brand name. As confirmed by the Hotel Manager, the renovation and upgrade works of the hotel were substantially completed and the grand opening of Crowne Plaza Resort Saipan was held on October 31, 2022. Crowne Plaza Resort Saipan is located at the heart of the Garapan tourism center of Saipan and is a premium resort offering a wide range of services in respect of leisure and entertainment, meeting and events, dining and accommodation. Being the newest hotel in town, the Group's management is also confident that this hotel will be uniquely positioned to capture the pent-up travel demand.

*Kanoa Resort*

In 2022, Kanoa Resort continued to assist the CNMI Homeland Security and Emergency Management by providing its hotel rooms, facilities, and meal services to persons subject to the mandatory quarantine requirements upon their arrival in Saipan. As confirmed by the said government authority, the relevant emergency contract was completed on July 30, 2022 and Kanoa Resort is currently closed. During the operating period, the Group received various fees for the services that have been provided to the CNMI government under the relevant emergency contract. The Group is honored to be able to offer its continuous support to the local government in the fight against COVID-19. On December 29, 2020, the Group had entered into the hotel management agreement with the Hotel Manager, pursuant to which Kanoa Resort will be rebranded as "voco Resort Saipan" after the completion of the renovation and rebranding works contemplated under the hotel management agreement. The Group is now in the process of carrying out planning and design works for the renovation and rebranding of the hotel.

***Luxury Travel Retail Segment***

During the Year, revenue from the Luxury Travel Retail Segment was US$7,448,000, representing an increase of US$3,077,000 or 70.4% as compared to the preceding year of US$4,371,000. The substantial increase in revenue was mainly contributed by the business in Guam with the gradual recovery of the Guam local economy and tourism market, which boosted the revenue of the Guam boutiques by 106.3%.

At the start of 2022, the Group's luxury travel retail boutiques in Hawaii operated with normal business hours whilst Guam resumed their operations with limited business hours (by appointment or during weekends). In March 2022, riding on the gradual recovery of the local economy and the tourism market, all luxury travel retail boutiques in Guam resumed operating under normal business hours on a daily basis. Two out of the Group's five luxury travel retail boutiques in Saipan have resumed their operations at different times during the Year. The continuous closure of the remaining luxury travel retail boutiques in Saipan have effectively reduced the operating costs and mitigated the negative financial and operational impacts on the Luxury Travel Retail Segment. The Group's management continued to exercise due care in inventory management and maintained a healthy inventory level throughout 2022.

For the Year, the Luxury Travel Retail Segment operated almost without loss. Depreciation and amortization expenses (non-cash items) for 2022 under the Luxury Travel Retail Segment was approximately US$655,000.

***Destination Services Segment***

For the twelve months ended December 31, 2022, revenue from the Destination Services Segment was US$243,000, representing an increase of US$47,000 as compared to the preceding year. Riding on the successful travel bubble agreement with South Korea, the influx of tourists from South Korea to Saipan led to the business resumption of one of the Group's three excursion tours and raised the sales of one of the Group's three convenience stores operated under this segment. On the other hand, the Group's convenience store, which is located within hotel premises, resumed operation on the grand opening date of Crowne Plaza Resort Saipan. The newly renovated convenience store occupies a more spacious retail area and offers hotel guests with commodities in more varieties.

For the Year, the segmental loss of the Destination Services Segment was US$449,000, representing an increase of US$263,000 as compared to the preceding year. The increase in the segmental loss was mainly due to the fact that the tourism market is yet to fully recover and thus most of the business operations of the Group's Destination Services Segment remained temporarily closed during the Year.

**Acquisitions and Investments**

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

The Group had no significant investments held during the Year.

**Events Subsequent to the End of the Financial Year**

After nearly two years of being kept on home turf, people around the globe are actively planning to revisit their favorite destinations or pursue their big bucket list trip to visit somewhere new. By the end of 2022, people around the globe continued to unleash their pent-up demand for leisure travel. Meanwhile, the government of the People's Republic of China (the "**PRC**" or "**China**") announced its reopening of borders to 20 designated countries. With effect from January 8, 2023, passengers holding a negative PCR result within 48 hours before departure can enter China without quarantine.

Subsequent to the end of the Year, the Group continues to focus on completing the renovation and upgrade works of the outdoor facilities of Crowne Plaza Resort Guam. As of the date of this announcement, the renovation and upgrade works of the remaining outdoor facilities have been completed and the grand opening of the hotel was held on March 28, 2023. On the other hand, the newly opened Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam are ramping-up and fighting for their market share from the revival of the tourism markets. Furthermore, Century Hotel remains open for business whilst Kanoa Resort is currently closed. The Group's management is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort.

All luxury travel retail boutiques in Guam and Hawaii remain open for business with normal business hours. Besides, two out of the Group's five luxury travel retail boutiques in Saipan continue to be open for business and one out of the Group's three excursion tours has resumed operation in February 2023. The remaining three luxury travel retail boutiques and two of the Group's excursion tours remain closed pending visibility of tourists returning.

## Future Plans and Market Prospects

Since 2022, despite the fact that the governments of Japan and South Korea have scrapped travel restrictions and lifted the quarantine requirements of travelers returning to the countries, the outbound travel sentiments of the Japanese and South Koreans were weakened due to their declined currencies. Starting from 2023, the foreign exchange rate of the Japanese Yen and South Korean Won began to stabilize and thus people's travel sentiments are picking up.

The reopening of China's border to 20 designated countries from the start of 2023 made a big step in expediting the recovery of global tourism industry and propelling the air-traffic resumption. Having said that, the market is still expecting China to open its borders and lift the travel restrictions to more countries. Currently, most travelers can travel all over the world without the need of meeting travel restrictions or quarantine requirements. The elimination of quarantine protocols upon arrivals substantially removed hassles and uncertainties that travelers might encounter during their journey and thus enhancing travel sentiments.

During the pandemic, various precautionary and control measures implemented by local government authorities have caused the suspension or reduction of flights to/from Saipan and Guam. During 2022, riding on the relaxation of the quarantine requirements by the local government of Japan and South Korea, our key tourist origin markets, various airlines, including but not limited to United Airlines, Asiana Airlines and Jeju Air, have gradually resumed their flights for the Guam and Saipan route at different times during the Year. In 2023, certain South Korean Airlines have already planned to increase the number of flights from South Korea to the Marianas in the next several months as compared to January 2023.

On the other hand, to reinstate the influx of tourists from the newly reopened China market, there is a long list of ramp-up works that need to be done by the local government and relevant parties. Among all, the resumption of flights between certain PRC cities with Saipan is the top priority to speed up the recovery. As of the date of this announcement, the Group's management is endeavouring to facilitate the process and is working with various airlines to prepare for the resumption of flights between certain PRC cities and Saipan.

### *Hotels & Resorts Segment*

As of the date of this announcement, the renovation and upgrade works of the outdoor facilities of Crowne Plaza Resort Guam has completed and the grand opening of Crowne Plaza Resort Guam was held on March 28, 2023. The Hotel Manager of Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam continues to focus their efforts on ramping-up and fighting for market share from the revival of the tourism markets. Being the newest hotels in town, the Group's management is confident that these two hotels will be uniquely positioned to capture the pent-up travel demand in 2023.

Kanoa Resort is currently closed after the completion of the emergency contract with the CNMI Homeland Security and Emergency Management. As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager and Kanoa Resort will be rebranded as "voco Resort Saipan" after the completion of renovation and rebranding works. As of the date of this announcement, the Group is in the process of carrying out the planning and design works for the renovation and rebranding in due course.

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

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

***Luxury Travel Retail Segment***

Riding on the gradual resumption of the local economy and the tourism market of Guam, the Group's management has reached agreement with the relevant landlord for the new occupancy of certain stronger retail spaces to improve the segmental profitability. As of the date of this announcement, the newly identified retail spaces are under renovation and the Group's management expects to move into the new retail spaces in the second half of 2023. The capital expenditure to be incurred in respect of the renovation and upgrade works of the new retail spaces will be funded partly by the landlord's sponsorship, partly by the brand owner's sponsorship and partly by the Group's internal resources. For Saipan, the Group's management will continue to closely monitor market conditions and changes in the global travel sentiment with a view to gradually resume the full operation of the boutiques.

***Other plans and prospects***

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

## Investor Relations and Communications

The Group acknowledges the importance of communication with Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews, subject to COVID-19 restrictions. Each year, an annual general meeting will be called by giving not less than 20 clear business days' notice and the Directors will be available at the annual general meeting to answer questions on the Group's business.

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

## Contingent Liabilities

As at December 31, 2022 and 2021, the Group did not have any material contingent liabilities.

## Liquidity, Financial Resources and Capital Structure

During the Year, the Group continues to focus its efforts on the renovation and upgrade works of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan under the asset rejuvenation plan. Riding on the gradual recovery of the local economy and the tourism market in Guam, the Group's luxury travel retail business in Guam were resumed to normal business hours on daily basis. Besides, the financial position of the Group remained healthy throughout the Year. The Group generally finances its operations with internally generated cash flows, proceeds from Listing, shareholder's loans and external financing. As at December 31, 2022, the total amount of cash and bank deposits of the Group was approximately US$3,451,000, representing a decrease of approximately US$4,626,000 as compared to that as at December 31, 2021 mainly due to capital expenditure for the asset rejuvenation plan of the Group during the Year.

During the Year, the Group continues to use the available banking facilities totalling US$48,000,000 to finance the asset rejuvenation plan of the Group. As at December 31, 2022, the full amount of the banking facilities were drawn to finance the renovation and upgrade works carried out to Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan. During the Year, the total capital expenditure for the asset rejuvenation plan was approximately US$32,125,000.

As at December 31, 2022, the Group had an interest-bearing term loan of US$43,000,000 (As at December 31, 2021: US$17,000,000) and a revolving loan of US$5,000,000 (As at December 31, 2021: Nil), and the relevant banking facilities were fully drawn down. Based on the schedule repayments set out in the relevant banking facility letter, the maturity profile of the term loan is spread over a period of five years, with approximately US$367,000 repayable in the first year, approximately US$3,133,000 repayable in the second year, approximately US$4,300,000 repayable in the third year, approximately US$15,833,000 repayable in the fourth year, and approximately US$19,367,000 repayable within the fifth year.

On August 30, 2022, the Group entered into a loan agreement with Tan Holdings for a loan facility of US$5,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 1 year from the date of the loan agreement. As at December 31, 2022, the full amount of the loan facility had been drawn down by the Company. Further, on December 16, 2022, the Group entered into a second loan agreement with Tan Holdings for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 2 years from the date of the loan agreement. As at December 31, 2022, an amount of US$1,800,000 had been drawn down by the Company.

Subsequent to the year end, the Group entered into a third loan agreement with Tan Holdings on February 28, 2023 for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 2 years from the date of the loan agreement.

The Directors are of the view that the Group has adequate liquidity to meet its expected working capital requirements and capital expenditure requirements in the coming twelve months from December 31, 2022.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of respective years and multiplied by 100%. As at December 31, 2022, the gearing ratio of the Group was 64.7% (2021: 19.8%).

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

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

### Charge on Assets

As at December 31, 2022 and 2021, the Group had aggregate banking facilities of US$48,000,000 and US$43,000,000, respectively, which was secured by certain buildings and investment properties owned by the Group. As disclosed above, the Group continues to use the banking facilities of US$48,000,000 to finance the asset rejuvenation plan of the Group during the Year. Unutilized facilities at the end of December 31, 2022 and 2021 amounted to Nil and US$26,000,000, respectively.

### Foreign Exchange Risk Management

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in United States dollars ("**US Dollars**"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2022, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are also primarily denominated in US Dollars. Therefore, the Group's foreign exchange risk is insignificant.

### Employees and Emolument Policy

As at December 31, 2022, the Group had a total of 372 (2021: 196) full-time employees, including 172 employed in Saipan, 185 employed in Guam, 10 employed in Hawaii and 5 employed in Hong Kong. During the Year, all luxury travel retail boutiques in Guam has resumed their operations to normal business hours on daily basis and Crowne Plaza Resort Saipan as well as Crowne Plaza Resort Guam have re-opened, precipitating the increase in the number of headcounts as of year end. As a responsible employer, the Group continues to value the employees and continues to strive to provide an excellent working environment. The Group has complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to US$7,383,000 (2021: US$6,083,000). On April 9 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group.

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

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

## USE OF PROCEEDS FROM LISTING

The net proceeds from the Company's Listing was US$39,400,000 (equivalent to HK$307,400,000, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 and supplemented by the 2019 Annual Report published on April 17, 2020, the 2020 Annual Report published on April 16, 2021 and the 2021 Annual Report published on April 23, 2022. During the Year, US$1,446,000 of the net proceeds from the Listing had been utilized. Currently, the Group holds the unutilized net proceeds as deposit with creditworthy banks with no recent history of default. Further details on the use of proceeds from the Listing will be disclosed in the annual report of the Company for the Year.

## CORPORATE GOVERNANCE PRACTICES

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

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

## AUDIT COMMITTEE

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

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

## THE EXTERNAL AUDITOR

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

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which indicates that the Group had net current liabilities of US$46,553,000 as at December 31, 2022 and incurred a net loss of US$11,494,000 for the year then ended. Included in its current liabilities was an interest-bearing term loan of US$43,000,000 with scheduled repayments starting from September 2023 and a revolving loan of US$5,000,000, both of which are repayable on demand, and its cash and cash equivalents amounted to approximately US$3,451,000. These conditions, along with other matters as set forth in note 2.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## FINAL DIVIDEND

No interim dividend (2021: Nil) was declared during the Year. The Board has resolved not to recommend the payment of a final dividend for the Year (2021: Nil).

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' right to attend and vote at the upcoming annual general meeting of the Company intended to be held on June 1, 2023 ("**AGM**"), the register of members of the Company will be closed from May 29, 2023 to June 1, 2023 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on May 25, 2023.

## PUBLIC FLOAT

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

## PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, March 30, 2023

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