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

ANNUAL REPORT 2022

CONTENTS

In case of any inconsistency between the English version and the Chinese version of this annual report, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. TAN Henry, *BBS, JP (Vice Chairman and CEO)*
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

Mr. CHAN Leung Choi Albert
Mr. MA Andrew Chiu Cheung
Mr. WONG Chun Tat, *JP*

AUDIT COMMITTEE

Mr. MA Andrew Chiu Cheung *(Chairman)*
Mr. CHAN Leung Choi Albert
Mr. WONG Chun Tat, *JP*

REMUNERATION COMMITTEE

Mr. CHAN Leung Choi Albert *(Chairman)*
Mr. WONG Chun Tat, *JP*
Dr. TAN Henry, *BBS, JP*

NOMINATION COMMITTEE

Mr. WONG Chun Tat, *JP (Chairman)*
Mr. CHAN Leung Choi Albert
Dr. TAN Henry, *BBS, JP*

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. TAN Siu Lin, *SBS*

COMPANY SECRETARY

Ms. CHEUNG Pik Shan Bonnie

AUTHORIZED REPRESENTATIVES

(for the purpose of the Listing Rules)
Dr. TAN Henry, *BBS, JP*
Ms. CHEUNG Pik Shan Bonnie

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong laws
Deacons
5th Floor
Alexandra House
18 Chater Road
Central, Hong Kong

As to CNMI and Guam laws
Blair Sterling Johnson & Martinez, P.C.
238 Archbishop Flores Street
Suite 1008
Hagåtña Guam
96910-5205

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27th Floor, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Hawaii, Hagatna Branch
Bank of Hawaii, Gualo Rai Branch
First Hawaiian Bank, Gualo Rai Branch
The Hongkong and Shanghai Banking Corporation Limited

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Calendar and Investor Relation Information

Announcement of 2022 Final Results		March 30, 2023
Announcement of 2022 Interim Results		August 30, 2022
Dividends	2022 Final	Nil
	2022 Interim	Nil
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting		Period from May 29, 2023 to June 1, 2023
Date of Annual General Meeting in 2023		June 1, 2023
Authorized Shares		500,000,000 shares
Issued Shares		360,000,000 shares (as at December 31, 2022)
Website address		www.saileisuregroup.com
Stock Code		1832
Board Lot		1,000 shares
Financial Year End		December 31

Key Financial Highlights

	2022 **US$'000**	2021 US$'000
Revenue	**15,751**	19,801
Operating loss	**(12,472)**	(6,247)
Loss attributable to owners of the Company	**(11,425)**	(5,952)
As a percentage of revenue	**-72.5%**	-30.1%
Basic loss per share (US cents)	**(3.2)**	(1.7)
Dividend per share		
— Final (US cent)	**—**	—
— Interim (US cent)	**—**	—
Equity		
Attributable to owners of the Company	**74,519**	85,944

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to present the annual report of S.A.I. Leisure Group Company Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the financial year ended December 31, 2022 (the "**Year**").

OVERVIEW

Entering the third year since the outbreak of COVID-19, people around the globe has recognized the endemic nature of the coronavirus and have conformed to "co-living with the virus". Throughout the Year, the government authorities of different countries, including but not limited to our key tourist origin markets have lifted precautionary and control measures stage by stage. As of the date of this report, international borders are almost fully opened despite certain precautionary and control measures were still in place for travelers travelling from the mainland China. The market expects that the relevant measures will soon be lifted and with the gradual resumption of flights, the revival of the international tourism industry is foreseeable.

Chairman's Statement

Riding on the high community vaccination rates and the fact that people have been "co-living with the virus" for over a year, the Commonwealth of Northern Marianas Islands (the "**CNMI**") and Guam have fully opened their borders to travelers around the globe. Tourist arrivals on the CNMI and Guam for the Year both surged during the Year and increased by approximately 661.0% and 313.7%, respectively, when compared to the arrivals in 2021 and have reached approximately 22.7% and 19.7% of the pre-COVID arrivals in 2019, respectively. Among all, the recovery of tourists from South Korea, one of our key tourist origin markets, is notable, whilst the recovery of tourists from Japan was protracted as a result of the weakened currency.

BUSINESS DEVELOPMENT

By the end of October 2022, our very first InterContinental Hotels Group ("**IHG**") branded hotel, Crowne Plaza Resort Saipan (formerly known as "Fiesta Resort Saipan") was reopened with a dazzling new look. After 3 years of lockdown, the resort offers our guests a relaxed environment with views across the stunning Pacific Ocean, leaving all hustle behind and reconnecting our guests to the beautiful nature. On the other hand, our second IHG branded hotel, Crowne Plaza Resort Guam (formerly known as "Fiesta Resort Guam"), offers an ideal location for beach adventure. The resort has soft opened in mid-November 2022 and the grand opening of the resort was recently held on March 28, 2023. As of the date of this report, both resorts are ramping up and fighting for their market share out of the accelerating market demand.

Chairman's Statement

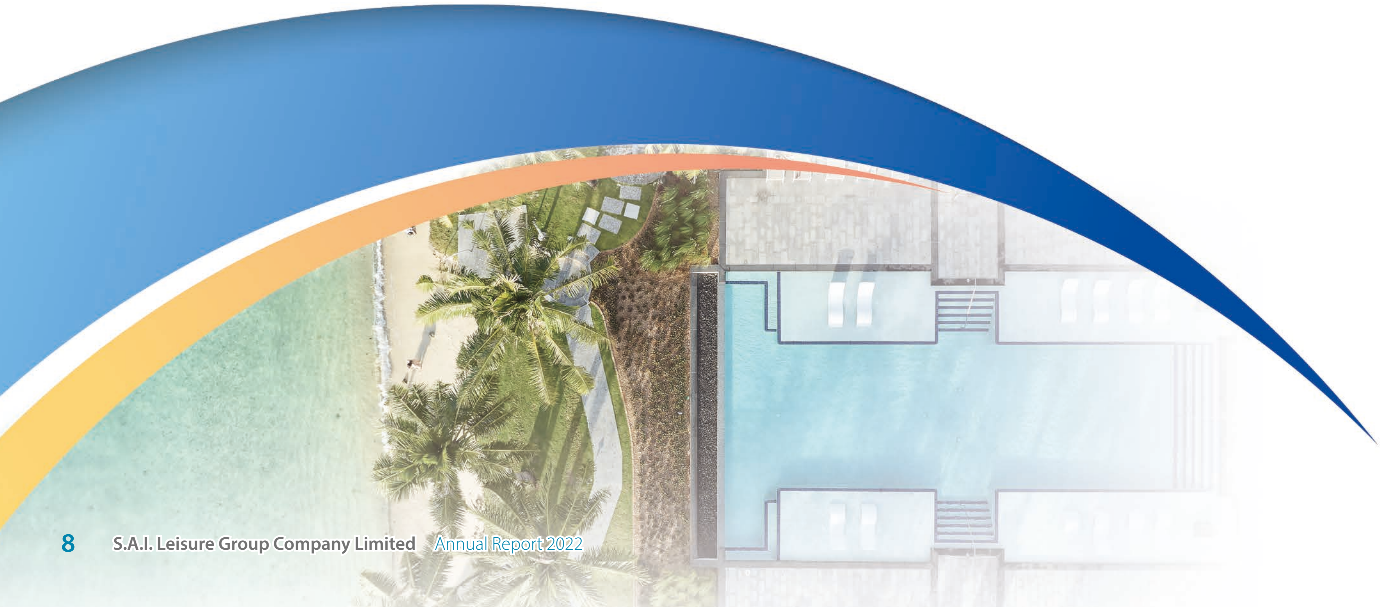
We are honored to have supported the CNMI government in the fight against COVID-19 since March 2020 by providing the hotel rooms, facilities and meal services at Kanoa Resort to persons subject to the mandatory quarantine requirements upon their arrival in Saipan. By the end of July 2022, the mandatory quarantine measures in Saipan were lifted and the emergency contract between the Group and the CNMI Homeland Security and Emergency Management was completed. Kanoa Resort is currently closed, and the Group is in the process of carrying out the 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.

Furthermore, riding on the gradual recovery of the tourism market and local economy of Guam, the luxury travel retail boutiques in Guam have resumed operation under normal business hours in March 2022. During the pandemic, our management has come to an agreement with the landlord on the lease terms for the occupancy of stronger retail spaces, which is expected to help improve the segmental profitability of our luxury travel retail segment.

GOING FORWARD

The reopening of China's borders to 20 designated countries from the start of 2023 made a big step in expediting the recovery of the global tourism industry. The market expects China will further open its borders and lift the travel restrictions to more countries. With the gradual resumption of flights for different destinations over the world, the international travel and tourism industry is recovering and restoration to pre-COVID levels is foreseeable.

In 2023, the global travel sentiment and market behavior are yet to stabilize, we will continue to closely monitor the changes and adjust the Group's business plan and strategies to seize the best market opportunities to achieve long-term and sustainable business growth. As the pandemic is coming to an end, we are in the process of refreshing the image, recognition and market reputation of our "S.A.I. Leisure Group" brand with our strong collaboration with the IHG brand so as to strengthen our position as market leader.



During the Year, Professor Chan Pak Woon David ("**Professor Chan**"), former independent non-executive director, former chairman of the nomination committee and former member of the audit committee and the remuneration committee of the Company, sadly passed away on November 9, 2022. The late Professor Chan had served as an independent non-executive Director of the Company from April 2019 to the date of his passing. I would like to express my deepest sorrow for Profession Chan's unexpected passing, and also my heartfelt gratitude to Professor Chan for his invaluable contributions to the Group during his tenure.

Lastly, I would like to extend my sincere gratitude to our management and staff for their commitment and hard work during the pandemic. I would also like to thank our shareholders and customers for their continuous support to and confidence in the Group.

S.A.I. Leisure Group Company Limited
Dr. TAN Siu Lin, *SBS*
Chairman

Hong Kong, March 30, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 report, 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 report, 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 report, 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 report, 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 report, 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 our 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 our latest development. The Group regularly updates its corporate information on the Company's website (www.saileisuregroup.com) in both English and Chinese.

CONTINGENT LIABILITIES

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

VALUATION OF PROPERTIES

For the purpose of the Listing, a valuation as at January 31, 2019 was conducted on the properties held by our Group in Saipan and Guam (the "**Properties**"). The Properties include premises occupied by our Group for our business operations and premises in our hotels and resorts leased to third parties on concessions in return for a rental income. The Properties were valued at US$114,300,000 in aggregate as at January 31, 2019 by Savills Valuation and Professional Services (S) Pte Ltd, as disclosed in the Prospectus published on April 30, 2019. The Properties were classified as property, plant and equipment and investment properties in the consolidated statement of financial position. As detailed in note 3 to the consolidated financial statements, the property, plant and equipment and investment properties are carried at historical cost less deprecation and impairment loss. Accordingly, no additional depreciation would be charged to the consolidated statement of profit or loss and other comprehensive income regardless of the changes in the market value of the Properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Year, the Group continues to focus our efforts on the renovation and upgrade works of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan under our 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 the Company's listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" or "**HKEx**") on May 16, 2019 (the "**Listing**"), shareholder's loans and external financing. As at December 31, 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 scheduled repayments set out in the relevant banking facility letter, the maturity profile of the term loan is spread over a period of five years, with approximately US$367,000 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 Corporation ("**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 our employees and continues to strive to provide an excellent working environment. We have complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to approximately US$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. Details of the share option scheme are set out under the heading "Share Option Scheme" in the section headed "Report of Directors" on page 32 of this annual report.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. TAN Siu Lin, ***SBS***, (“**Chairman Tan**”), aged 92, has been the Chairman of the Board and a Non-Executive Director of the Company since November 2018. He founded the Group in April 1997. Chairman Tan is a prominent entrepreneur in mainland China, Hong Kong and the Western Pacific Region with over 50 years of experience in developing a diversified portfolio of business ventures. He is the honorary director of Peking University Education Foundation (北京大學教育基金會), chairman of the board of the Peking University Luen Thai Center for Supply Chain System Research & Development (北京大學聯泰供應鏈系統研發中心), and chairman of the board of Tan Siu Lin School of Business in Quanzhou Normal University (泉州師範學院陳守仁商學院). Chairman Tan is the permanent honorary director of the board of Huaqiao University (華僑大學) and the honorary consul of the Federated States of Micronesia in Hong Kong. Chairman Tan holds an honorary doctoral of laws degree from the University of Guam and has been awarded honorary university fellowships by both the Hong Kong Baptist University and the Chinese University of Hong Kong. He is also the founder, honorary life chairman and executive director of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. Chairman Tan is the father of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder), Mr. Tan Willie (a Non-Executive Director), Mr. Tan Jerry Cho Yee (a member of our senior management) and the grandfather of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Chairman Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings “Directors’ and Chief Executives’ Interest in Shares” in the section headed “Report of Directors” on page 35 of this annual report.

EXECUTIVE DIRECTORS

Dr. TAN Henry, ***BBS, JP***, aged 69, has been the Vice Chairman of the Board, an Executive Director and the Chief Executive Officer of the Company since November 2018. He is also a member of our Nomination and Remuneration Committees. He joined the Group in April 1997. Dr. Tan has over 40 years of experience in conducting business in mainland China, Hong Kong and the Western Pacific Region and has gained in-depth local knowledge, business and personal connections and market insight in the region. Dr. Tan is very active in the community. He is the chairman of the Textile Council of Hong Kong, a court member of The Hong Kong Polytechnic University, a member of the Council and the chairman of the Advisory Committee of College of Professional and Continuing Education of The Hong Kong Polytechnic University, and an honorary court member of the Hong Kong Baptist University. Dr. Tan is a member of the election committee of the Chief Executive of the Hong Kong Special Administrative Region and a member of the National Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China. He is an honorary trustee of Peking University (北京大學) and a director of the board of Huaqiao University (華僑大學). Dr. Tan is a Hong Kong Deputy to the 13th National People’s Congress of the People’s Republic of China and a former chairman of Po Leung Kuk. He was awarded a Bronze Bauhinia Star in November 2005 and was appointed as Justice of the Peace in July 2008 by the Government of Hong Kong Special Administrative Region. Dr. Tan holds a bachelor’s degree and a master’s degree in business administration from the University of Guam. He also received an honorary doctorate in humane letters from the University of Guam in recognition of his contribution in the Western Pacific Region. Since June 2020, Dr. Tan has been the independent non-executive director of SinoMedia Holding Limited (Stock Code: 623), the shares of which are listed on the Main Board of the Stock Exchange. Dr. Tan is a son of Chairman Tan (Chairman, a non-Executive Director and a controlling shareholder), a brother of Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management), the father of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President), and a brother-in-law of Mr. Chiu George (an Executive Director). He is also a director of S.A.I. CNMI Holdings Limited, S.A.I. CNMI Tourism Inc., S.A.I. Guam Holdings Limited, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries. Dr. Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings “Directors’ and Chief Executives’ Interest in Shares” in the section headed “Report of Directors” on page 35 of this annual report.

Mr. CHIU George, aged 61, has been an Executive Director of the Group since November 2018. Mr. Chiu joined the Group in April 1997 and has held directorship and key management roles. Mr. Chiu is recognized as a successful businessman in the Western Pacific Region with over 30 years of experience in overseeing and managing various business ventures in the region. Mr. Chiu has a strong presence in the business community of the Western Pacific Region. He is also actively involved in other community organizations. Mr. Chiu is the president of both the Chinese Chamber of Commerce of Guam and the Guam Chinese Association. He also serves as the director of the board of the Guam Visitors Bureau and the director/treasurer of the board of the University of Guam Endowment Foundation. On March 23, 2023, Mr. Chiu was elected as the chairman of the board of the Guam Visitors Bureau. Mr. Chiu was a former director of the board of the Guam Economic Development Authority. Mr. Chiu holds a bachelor’s degree in business administration with double majors in management and accounting from the University of Guam. Mr. Chiu is the brother-in-law of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). He is also a director of S.A.I. CNMI Tourism Inc., S.A.I. Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

Management Executives

Mrs. SU TAN Jennifer Sze Tink, aged 40, has been an Executive Director of the Company since November 2018. She is also the Executive Vice President of our Group. Mrs. Su Tan joined our Group in February 2017. She has a solid background and experience in the hotel and hospitality industry and marketing. Mrs. Su Tan is a member of the Industry Advisory Committee of the School of Hotel and Tourism Management of The Hong Kong Polytechnic University. Mrs. Su Tan holds a bachelor's degree in science majoring in hotel and restaurant administration from Cornell University, the U.S.. She is a granddaughter of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a daughter of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and a niece of Mr. Chiu George (an Executive Director), Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management). Mrs. Su Tan is also a director of Asia Pacific Hotels, Inc. and Asia Pacific Hotels, Inc. (Guam), all of which are our subsidiaries.

Mr. SCHWEIZER Jeffrey William, aged 69, has been an Executive Director of the Company since April 2019. He has also been the Head of Hotel Operations of our Group since November 2018. Mr. Schweizer joined the Group in April 2005. He has over 33 years of experience in the hospitality industry. He served as chairman of the board of the Guam Hotel and Restaurant Association (the "**GHRA**") in 2009, 2018 and 2019, and has been a longstanding board member of the GHRA. Mr. Schweizer is currently a member of Skål Club of Guam and had been a longstanding member of the Chinese Chamber of Commerce in Guam, a member of the Guam Chamber of Commerce and one of its subcommittees, the Armed Forces Committee. Mr. Schweizer completed the advanced hotel management program of the Hong Kong Winter School 2004 of The Hong Kong Polytechnic University and completed the food and beverage management seminar held by the School of Hotel Administration, Cornell University, the U.S..

NON-EXECUTIVE DIRECTOR

Mr. TAN Willie, aged 67, has been a Non-Executive Director of the Company since November 2018. Mr. Tan joined the Group in April 1997. He has over 30 years of experience in business management. Mr. Tan is the vice chairman of the board of Tan Holdings (a controlling shareholder), which is the privately held business of the family of Chairman Tan. Mr. Tan has an extensive experience in tourism and retail businesses. He is also the chief executive officer of Skechers China Limited, Skechers Hong Kong Limited, Skechers South Korea Limited and Skechers Southeast Asia Limited. He is currently the external vice president of the Philippines-China Business Council, chairman of the Confederation of Garment Exporters of the Philippines and was appointed honorary ambassador-at-large for Guam, U.S. in 2007. Mr. Tan holds a bachelor's degree in business administration from the University of Guam. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Jerry Cho Yee (a member of our senior management) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of Asia Pacific Hotels, Inc., Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Leung Choi Albert, aged 68, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Remuneration Committee and a member of our Audit and Nomination Committees. Mr. Chan has over 40 years of banking experience based in Hong Kong. Prior to his retirement in 2017, he was Head of Commercial Banking Hong Kong of The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**"). Before that, he assumed various management positions in HSBC including retail banking, treasury, corporate banking and risk management. Since January 2019, Mr. Chan has been a non-executive director of HSBC Bank (China) Company Limited, a wholly owned subsidiary of the HSBC group. Mr. Chan holds a bachelor's degree in science from the University of Hong Kong.

Mr. MA Andrew Chiu Cheung, aged 81, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Audit Committee. Mr. Ma holds a bachelor's degree in economics from the London School of Economics and Political Science (The University of London) in the United Kingdom and has over 40 years of experience in accounting, auditing and finance. He is a Fellow Member of each of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Ma is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited) in Hong Kong. He is presently a director of Mayee Management Limited. He is currently an independent non-executive director of Asiaray Media Group Limited (Stock Code: 1993) and C-Mer Eye Care Holdings Limited (Stock Code: 3309), the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Ma previously served as an independent non-executive director of Asia Financial Holdings Limited (Stock Code: 662), C.P. Pokphand Co. Ltd. (Stock Code: 43), Chong Hing Bank Limited (Stock Code: 1111) and China Resources Power Holdings Company Limited (Stock Code: 836), the shares of all of which are listed on the Main Board of the Stock Exchange, until his retirement on May 23, 2019, June 5, 2020, May 14, 2021 and September 15, 2021, respectively.

Mr. WONG Chun Tat, *JP*, aged 42, was appointed as an Independent Non-Executive Director of the Company since December 16, 2022 and is the chairman of the nomination committee and a member of the audit committee and the remuneration committee. Mr. Wong has over 10 years of experience in the tourism industry. He has been the general manager of Sin Ma Tours Limited since February 2019, an executive director of Hong Thai Golf Centre Limited since July 2021 and an executive director of Hong Thai Expo & Business Centre Limited since October 2022. Mr. Wong is also actively engaged public and community services with a focus on developing the Hong Kong tourism industry. He is currently the honorary adviser of the Hong Kong Travel Industry Council, a former board member of the Hong Kong Tourism Board, vice-chairperson of the Travel Industry Training Advisory Committee, member of the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council and honorary consul general of the Republic of Mali — Hong Kong. Mr. Wong is also currently a standing committee member of the Chinese Chamber of Commerce, Hong Kong, vice-chairman of the Youth Executives' Committee of the Chinese Chamber of Commerce, Hong Kong, vice-chairman of the Y. Elites Association, member of the Chongqing Committee of the Chinese People's Political Consultative Conference (the 5th session), member of the Thirteenth Committee of the All-China Youth Federation and member of the election committee of the Chief Executive of the Hong Kong Special Administrative Region. In addition, Mr. Wong is currently an independent non-executive director of South China Holdings Company Limited (Stock Code: 413), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Wong obtained a Bachelor of Arts degree in tourism management in 2003 and a master's degree in professional accounting in 2008, both from the Hong Kong Polytechnic University.

Management Executives

SENIOR MANAGEMENT

Mr. TAN Jerry Cho Yee, aged 61, has been our President, Guam & Saipan since November 2018. He joined the Group in April 1997. Mr. Tan is the chief executive officer of Tan Holdings (a controlling shareholder), which is the privately held business of the family of Chairman Tan, and has over 30 years of management experience in doing business in the Western Pacific Region, particularly in Guam and the CNMI. Mr. Tan received recognition as an entrepreneur and community leader including Executive of the Year from the Guam Business Magazine, Employer of the Year from the CNMI Society for Human Resource Management, Business Person of the Year from the Saipan Chamber of Commerce, and Sports Administrator of the Year from the Northern Marianas Sports Association. Mr. Tan is the vice chairman of Tan Siu Lin Foundation and the chairman of Pacific Century Fellows Marianas Chapter, a non-profit leadership mentoring program for young people working in both public and private sectors in the CNMI. He was appointed to the US Travel & Tourism Advisory Board on January 10, 2023 by the US Department of Commerce Secretary Gina Raimondo. He serves as co-chairman of the Governor's Council of Economic Advisers of the CNMI together with the CNMI Governor Ralph DLG Torres from 2020 to 2022. He previously served as a board member of the Marianas Visitors Authority from 2012 to 2020 and was its chairman from 2006 to 2010. He is the president of the Northern Marianas Sports Association since 2020, the president of the Northern Mariana Islands Football Association since 2005 and the president of the Chinese Association of Saipan, U.S.A. since 2005. Mr. Tan graduated magna cum laude from the University of Guam with double majors in management and accounting. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Willie (a Non-Executive Director) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of S.A.I. CNMI Tourism Inc., S.A.I Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation and Century Tours, Inc. and a manager (equivalent to a director) of CKR, LLC, all of which are our subsidiaries.

Ms. CHEUNG Pik Shan Bonnie, aged 46, has been our Group Financial Controller since November 2018 and was appointed as the Company Secretary of the Company since April 2019. She joined the Group in April 2018. Ms. Cheung has over 20 years of experience in the field of auditing and accounting. Before transferring to the Group, she was a vice president of the corporate finance division of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. During the Year, Ms. Cheung has completed the Business Sustainability Management programme designed by the Institute for Sustainability Leadership of the University of Cambridge. Ms. Cheung is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Cheung holds a bachelor's degree in accountancy from The Hong Kong Polytechnic University.

The Board has the pleasure of presenting to the Shareholders this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are (1) the operation of hotels and resorts in Saipan and Guam, (2) luxury travel retail business in Saipan, Guam and Hawaii and (3) the provision of destination services in Saipan, the particulars of which are set out in note 1 to the consolidated financial statements.

The Listing of and the dealing in the Shares on the Stock Exchange commenced on the Listing Date, being May 16, 2019.

An analysis of the Group's performance by principal activities during the Year is set out in note 5 to the consolidated financial statements on pages 132 to 134 of this annual report.

GROUP PROFIT/LOSS

The loss of the Group for the Year is set out in the consolidated statement of profit or loss and other comprehensive income on page 104 of this annual report. The state of the Group's affairs as at December 31, 2022 are set out in the consolidated financial statements on pages 104 to 169 of this annual report.

DIVIDENDS

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).

The Board is not aware of any Shareholders who have waived or agreed to waive any dividends.

CASH FLOW

The cash flow position of the Group for the Year is set out and analyzed in the consolidated statement of cash flows on pages 108 to 109 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group for the Year together with a discussion and analysis of its performance and the material factors underlying its performance as well as the Group's future business development are set out in the sections headed "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 6 to 9 and pages 10 to 20 of this annual report respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section headed "Key Financial Highlights" on page 5 of this annual report.

ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

Detailed information and a discussion on the environmental, social and governance practices adopted by the Group will be set out in the "Environmental, Social and Governance Report" on pages 44 to 80 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's business operations are mainly carried out by the Company's subsidiaries in Saipan, Guam and Hawaii, the United States of America (the "**U.S.**"), while the Company is listed on the Main Board of the Stock Exchange in Hong Kong. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the Year and up to the date of this annual report, the Board is not aware of any material non-compliance with the relevant laws and regulations in the countries where the Group is operating.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that business operations and financial results of the Group may be affected by various risks and uncertainties. Description of the principal risks and uncertainties faced by the Group are set out in the section headed "Principal Risks and Uncertainties" on pages 42 to 43 of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The success of the Group depends on the support from key stakeholders which comprise customers, suppliers, employees and Shareholders.

Customers and Suppliers

The Group appreciates the importance of maintaining a good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values customers' feedback and addresses their concerns in a timely manner. During the Year, there is no circumstance of any event between the Group and its customers or suppliers which will have a significant impact on the Group's business and on which the Group's success depends.

Employees

Employees constitute one of the valuable assets of the Group. The key objective of the Group's human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. Sufficient training and development are provided to all the employees and equal opportunities are provided within the Group for career advancement.

Shareholders

One of the major goals of the Group is to maximize the return to the Shareholders. The Group endeavors to foster the development of business for achieving sustainable profit growth and rewarding the Shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group.

MAJOR CUSTOMERS

The Group's major customers during the year are primarily the Commonwealth Health Center in the CNMI and corporate customers of our Hotels & Resorts Segment. During the Year, the aggregate percentage of the Group's revenue from sales attributable to the Group's five largest customers was 40.5%. In addition, the Group's largest customer accounted for approximately 39.5% of the total revenue from sales.

Our Directors have confirmed that, save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interest in Contracts" below and as at December 31, 2022, all of our five largest customers (by revenue contribution) were independent third parties. None of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had an interest in any of the five largest customers.

MAJOR SUPPLIERS

The Group's major suppliers are utilities suppliers in our Hotels & Resorts Segment, as well as brand owners in our Luxury Travel Retail Segment. During the Year, the aggregate percentage of the Group's purchases attributable to the Group's five largest suppliers was less than 30%. In addition, the Group's largest supplier accounted for approximately 7.0% of the total purchases.

As at December 31, 2022, none of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at December 31, 2022 are set out in note 1 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the Listing were 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 ("**Prospectus**") and supplemented by the 2019 Annual Report published on April 17, 2020 ("**2019 Annual Report**"), the 2020 Annual Report published on April 16, 2021 ("**2020 Annual Report**") and the 2021 Annual Report published on April 23, 2022 ("**2021 Annual Report**").

Utilization during the Year

As at December 31, 2022, the Group had utilized the net proceeds from the Listing as set out in the table below:

	Net proceeds from Listing US$'000	Utilization during the Year US$'000	Aggregated amount utilized as at December 31, 2022 US$'000	Percentage utilized as at December 31, 2022	Unutilized amount US$'000
Asset rejuvenation plan	29,555	578	25,730	87.1%	3,825
New travel retail boutiques	2,000	—	2,000	100.0%	—
IT upgrade	2,000	717	1,712	85.6%	288
Digital sales and marketing	2,000	151	1,002	50.1%	998
General working capital	3,945	—	3,945	100.0%	—
Total[(a)]	39,400[(b)]	1,446	34,389	87.3%	5,111[(b)]

Notes:

(a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.

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

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

Adjustments to the timing for use of proceeds of Listing

Minor adjustments have been made to the timing for the use of proceeds from Listing when compared to the implementation plan set out in the 2021 Annual Report. The Board is of the view that the adjustments made were not material. Please refer to the revised plan set out below under the heading "Revised proceeds utilization plan" for the updated expected timeline for the utilization of the net proceeds from the Listing.

The adjustments only relate to the utilization of proceeds from the Listing for the purposes of the Group's asset rejuvenation plan, IT upgrades and digital sales and marketing. There is no change to the timing as regards the use of proceeds for the purposes of new travel retail boutiques and general working capital, which have fully been applied in accordance with the utilization plan set out in the 2021 Annual Report.

The main reasons for the adjustments made to the expected timeline for utilization of proceeds for the purposes of the Group's asset rejuvenation plan, IT upgrades and digital sales and marketing are as follows:-

1. ***Asset rejuvenation plan***

   The implementation of the asset rejuvenation plan of Kanoa Resort has been delayed due to the ongoing impact of the COVID-19 pandemic. Under an emergency contract with the CNMI Homeland Security and Emergency Management, Kanoa Resort has been providing rooms and services to persons subject to mandatory quarantine requirements upon their arrival in Saipan. On July 30, 2022, the aforesaid emergency contract was completed. Kanoa Resort is currently closed and the Group is in the process of designing and planning the renovation and upgrade works of Kanoa Resort. Kanoa Resort will be rebranded as "voco Resort Saipan" soon after the completion of the renovation and rebranding works. The Directors expect that the capital expenditure for the asset rejuvenation plan of Kanoa Resort will be incurred in the year ending December 31, 2023 and 2024. There is no change in the amount of proceeds from the Listing allocated towards the asset rejuvenation plan of Kanoa Resort. All additional capital expenditure, if any, will be funded partly by the Group's internal resources and partly by external financing.

2. ***IT upgrade***

   As there has been delays in the implementation of the asset rejuvenation plan and the reopening schedule of Crowne Plaza Resort Saipan, Crowne Plaza Resort Guam and Kanoa Resort, there has been a delay in the implementation of our IT upgrade works. We have incurred capital expenditure of approximately US$717,000 in IT upgrade works for Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam during the Year. We expect to use the unutilized portion of the proceeds from the Listing in the year ending December 31, 2023 and 2024 as we fully integrate into the InterContinental Hotels Group's IT system for Crowne Plaza Resort Saipan, Crowne Plaza Resort Guam and Kanoa Resort (will be rebranded as "voco Resort Saipan"). There is no change to the total amount of proceeds from the Listing to be used for IT upgrade purposes as disclosed in the 2021 Annual Report.

3. ***Digital Sales and Marketing***

   As the global leisure tourism market has yet to fully recover from the impact of the COVID-19 pandemic and there has been delays in the implementation of the asset rejuvenation plan and the reopening schedule of Crowne Plaza Resort Saipan, Crowne Plaza Resort Guam and Kanoa Resort (will be rebranded as "voco Resort Saipan"), we have delayed our digital sales and marketing plans accordingly. We have only incurred capital expenditure of approximately US$151,000 in digital sales and marketing during the Year as the re-opening of Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam happened only in the last quarter of the Year. In light of the potentially strong recovery of the market due to people's general pent-up desire to travel, we plan to aggressively market ourselves in our target customer markets as soon as we have visibility on market resumption. We expect to use the unutilized portion of the proceeds from the Listing in the year ending December 31, 2023 and 2024 when Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam ramp up for business, and Kanoa Resort (which will be rebranded as "voco Resort Saipan") reopen for business.

Save as set out above, there are no material changes or delay in the use of net proceeds from the Listing.

The Company will continue to apply the unutilized net proceeds from the Listing for the purposes stated in the Prospectus, taking into account the revised proceeds utilization plan, our development strategy, as well as market conditions. The Company expects that the remaining unutilized proceeds will be fully used by December 31, 2024.

Revised proceeds utilization plan

Set out below is the revised proceeds utilization plan of the Company:

	Estimated total capital expenditure and expenses by December 31, 2024[c]	Approximate amount to be funded with the net proceeds from Listing[b]		Amount of net proceeds used in the year ended December 31, 2022	Aggregate amount of net proceeds used as at December 31, 2022	Unutilized amount as at December 31, 2022	Estimated amount of net proceeds to be used for the year ending December 31,	
							2023	2024
	US$'000	US$'000	%	US$'000	US$'000	US$'000	US$'000	US$'000
Asset rejuvenation plan								
Crowne Plaza Resort Saipan	42,031	11,780	28.0%	–	11,780	–	–	–
Kanoa Resort	14,035	7,075	50.4%	578	3,250	3,825	1,500	2,325
Crowne Plaza Resort Guam	45,112	10,700	23.7%	–	10,700	–	–	–
Sub-total	101,178	**29,555**		**578**	**25,730**	**3,825**	1,500	2,325
New travel retail boutiques								
New Saipan boutique	1,550	630	40.6%	–	630	–	–	–
New Guam boutique	1,550	1,370	88.4%	–	1,370	–	–	–
Other future boutiques	1,550	–	N/A	–	–	–	–	–
Sub-total	4,650	**2,000**		**–**	**2,000**	**–**	–	–
IT upgrade								
New reservation system	646	646	100%	445	646	–	–	–
New data server	–	–	N/A	–	–	–	–	–
New online booking interface	14	14	100%	–	14	–	–	–
New Wi-Fi systems and other IT expenses	1,504	1,340	89.1%	272	1,052	288	144	144
Sub-total	2,164	**2,000**		**717**	**1,712**	**288**	144	144
Digital sales and marketing	2,250	**2,000**	88.9%	**151**	**1,002**	**998**	499	499
General working capital	3,945	**3,945**	N/A	**–**	**3,945**	**–**	–	–
Total		**39,400**[a]		**1,446**	**34,389**	**5,111**[a]		

Notes:

(a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.

(b) The outstanding amount of estimated capital expenditure or expenses not otherwise funded with the net proceeds from the Listing will be funded with our internal financial resources or external financing.

(c) Subject to future operating conditions and market environment, we may incur additional expenses for these purposes in the future, such as carrying out additional renovation and upgrade works to our hotels, launching additional travel retail boutiques, other IT upgrade, other sales and marketing initiatives and general working capital. The estimated capital expenditure and expenses above represent our estimated funding requirements as of the date of this annual report only.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2022, the Company's reserves available for distribution to the Shareholders, calculated in accordance with the Companies Law (Revised), Cap 22 of the Cayman Islands, amounted to US$88,508,000. Details of movements in the reserves of the Company during the Year are set out in note 36(b) to the consolidated financial statements. Under the Companies Law (Revised), Cap. 22 of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the Shareholders provided that, immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 170 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in investment properties of the Group during the Year are set out in note 16 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 3 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately US$11,000 (2021: US$3,009,000).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Share Option Scheme**") on April 9, 2019, pursuant to which the Board may, at its absolute discretion, offer to grant to any Eligible Person (as defined below) an option to subscribe for Shares.

Subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), "**Eligible Persons**" include any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an "**Employee**"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an "**Executive**"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an Associate (as defined under the Listing Rules) of any of the foregoing persons.

The purposes of the Share Option Scheme are to motivate Eligible Persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Under the Share Option Scheme and subject to the Listing Rules, an option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised. As of the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 36,000,000, representing 10% of the total issued share capital of the Company as of the date of this annual report. Subject to the Listing Rules, the maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Each grantee shall pay a consideration of HK$10 upon acceptance of the offer of the option (within 21 days of the offer) and the exercise price of the share options will be determined by the Board and shall be less than the highest of (i) the nominal value of a Share; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The Share Option Scheme will remain in force for ten years from the Listing Date until May 15, 2029, unless otherwise determined in accordance with its terms.

During the Year, no options were granted, exercised or cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at December 31, 2022. No share options were granted to any Eligible Person since the adoption of the Scheme.

MANAGEMENT CONTRACTS

The three hotel management agreements made between the Group and the Hotel Manager in respect of Crowne Plaza Resort Guam, Crowne Plaza Resort Saipan and Kanoa Resort respectively dated September 10, 2019, May 1, 2020 and December 29, 2020 remained in effect during the Year. Each of the hotel management agreements are for an initial term of 25 years from its commencement date with two options to renew for an additional 5 years each.

The hotel management agreements in respect of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan commenced in October 2019 and August 2020 respectively, and the Hotel Manager has been managing both hotels throughout the Year. On July 30, 2022, the emergency contract in respect of Kanoa Resort between the Group and the local government authority has completed. 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 the hotel. The hotel management agreement in respect of Kanoa Resort has not commenced pending completion of the relevant renovation and rebranding works to be carried out. When the hotel management agreement in respect of Kanoa Resort commences, the Hotel Manager will be managing three out of four of the Group's hotels and resorts under our Hotels & Resorts Segment. During the Year, as confirmed by the Hotel Manager, Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam were grand open on October 31, 2022 and soft open on November 16, 2022, respectively. Kanoa Resort will be rebranded as "voco Resort Saipan" upon commencement of the hotel management agreement. Under the terms of the three hotel management agreements, the Hotel Manager provides hotel management services and manages and operates the three hotels in accordance with the relevant brand standards. The Group retains its rights as hotel owner over certain key managerial, financial and strategic decisions.

None of the Directors has a material interest in the hotel management agreements.

Save as aforesaid, no contracts, other than contracts of service with Directors or persons engaged under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors who held office during the Year and up to the date of this annual report were:

Chairman and Non-Executive Director

Dr. TAN Siu Lin*, SBS*

Executive Directors

Dr. TAN Henry*, BBS, JP*
Mr. CHIU George
Mrs. SU TAN Jennifer Sze Tink
Mr. SCHWEIZER Jeffrey William

Non-Executive Director

Mr. TAN Willie

Independent Non-Executive Directors

Mr. CHAN Leung Choi Albert
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*
Mr. MA Andrew Chiu Cheung
Mr. WONG Chun Tat, *JP (Appointed on December 16, 2022)*

The Company received written confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

APPOINTMENTS, RETIREMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

During the Year, the Group has been informed that Professor Chan Pak Woon David, former independent non-executive Director, former chairman of the nomination committee and former member of the audit committee and the remuneration committee of the Company, sadly passed away on November 9, 2022. On December 16, 2022, the Board has appointed Mr. Wong Chun Tat ("**Mr. Wong**") as an independent non-executive Director, the chairman of the nomination committee and member of the audit committee and the remuneration committee of the Company. The biographical details of Mr. Wong was set out in the section headed "Management Executives" on pages 21 to 24 of this annual report.

Under the articles of association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. In addition, according to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") and the Articles, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

In accordance with the Articles, Dr. Tan Henry, Mr. Tan Willie and Mr. Ma Andrew Chiu Cheung will retire from office at the forthcoming annual general meeting ("**AGM**"). All retiring Directors, being eligible, will offer themselves for re-election at the AGM.

The Articles also provide that any Director appointed by the Board, either to fill a causal vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Wong, who was appointed by the Board to fill a casual vacancy and took office as an independent non-executive Director with effect from December 16, 2022, will hold office until the upcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interests in Contracts" below, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted as at December 31, 2022 or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' Interests in Shares" below, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Management Executives" on pages 21 to 24 of this annual report.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of Directors' emoluments and the five highest paid individuals in the Group are set out in notes 10 and 11 respectively to the consolidated financial statements. The Board is not aware of any Directors who have waived or agreed to waive any emoluments.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at December 31, 2022, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance, Cap. 571 of the laws of Hong Kong (the "**SFO**")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules were as follows:

Long position in the Shares

	Shares in the Company			
Directors	**Personal interests (held as beneficial owner)**	**Corporate interests (interests of controlled corporations)**	**Total interests**	**Percentage of interests in the Company**[a]
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 December 31, 2022.

(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 Holdings Limited ("**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 Corporation ("**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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at December 31, 2022, the register of substantial Shareholders maintained pursuant to Section 336 of Part XV of the SFO showed that other than the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Shares" above, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long position in the Shares

Name of Shareholder	Capacity/Nature of interests	Number of Shares	Percentage of interests in the Company[(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 December 31, 2022.

(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.

Save as disclosed above, so far as is known to the Directors, there is no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the Shares or underlying shares which could fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

CONNECTED TRANSACTIONS, DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS

The related party transactions of the Company for the Year are set out in note 31 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

During the Year, the Group entered into a number of transactions which constituted non-exempt continuing connected transactions for the Company and are subject to announcement, annual review and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The following table is a summary of the approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the Year. Details of these connected transactions are set out below in accordance with the Listing Rules.

		For the Year ended December 31, 2022	
Connected Parties	**Category**	**Aggregate Value**	**Annual Cap**
		US$'000	US$'000
Expenses			
QZ Tours	Holiday Package Transactions [(a)]	**–**	5,079
TakeCare	Medical Insurance [(b)]	**524**	1,834
Cosmos Saipan, Cosmos Guam and D&Q	Consumer Goods Transactions [(c)]	**50**	1,046
Beach Road Tourism, L&T Group and Luen Thai International	Leased premises [(d)]	**350**	–
CTSI Group	Freight and Logistics Transactions [(e)]	**1,109**	1,255
Income			
Strategic Gaming	Leased premises [(d)]	**–**	–

Notes:

(a) On April 9, 2019, the Company entered into an agreement with 泉州市世紀旅遊投資有限公司 ("**QZ Tours**") for a term commencing from April 9, 2019 to December 31, 2021 pursuant to which QZ Tours agreed to (i) reserve in bulk accommodation in our hotels and resorts, (ii) purchase meal coupons from our on-site restaurants and our self-operated excursion tours, and (iii) procure destination-based, concierge and travel management services from our Destination Services 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 our business operations in Saipan only.

QZ Tours has been providing the Holiday Package Transactions for more than five years before the Company's Listing on the Stock Exchange. The commercial terms we offered to QZ Tours were substantially the same as those we offered to other independent tour operators, with the exceptions that (i) we generally offer a discount to tour operators which place bulk bookings with us and the level of such discount is determined primarily based on the level of bulk bookings placed with us, (ii) only QZ Tours may extend its guest room check-out time until mid-night at a special late night charge, (iii) only QZ Tours had the option to increase its room allocation in the event that it has secured additional charter flights between Saipan and mainland China, (iv) QZ Tours was given a short cancellation or release date, and (v) only QZ Tours had the option to guarantee a room reservation without providing guest names.

Notwithstanding the difference in the terms we offer to QZ Tours and other independent tour operators set out above, the terms and conditions of the Holiday Package Transactions reflect normal commercial terms negotiated on an arm's length basis. Furthermore, the bulk purchase volume of QZ Tours gives us a stable volume from which we optimize our revenue and yield and hedge our risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

Given the long term and mutually beneficial collaboration with QZ Tours, the Directors (including the independent non-executive Directors) consider that such Holiday Package Transactions and their respective terms and conditions are on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

QZ Tours is owned as to 99% by Mr. ZHOU Xindong (周新東先生), who is a brother-in-law of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). QZ Tours is a majority-controlled corporation of a deemed connected person, and hence a connected person of the Company.

The aforesaid agreement with QZ Tours expired on December 31, 2021 and the Company entered into a new framework agreement (the "**New QZ Framework Agreement**") with QZ Tours on November 10, 2021. Pursuant to the New QZ Framework Agreement, the annual caps for the Holiday Package Transactions as agreed between the Company and QZ Tours for each of the three years ending December 31, 2024 are US$5,079,000, US$16,311,000 and US$17,465,000, respectively.

(b) On April 9, 2019, the Company entered into an agreement with TakeCare Insurance Company, Inc. ("**TakeCare**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to purchase medical and dental insurance coverage (the "**Medical Insurance**") for our employees. Under the agreement, our employees also have the option to enhance his/her coverage and benefits and/or extend the Medical Insurance to his/her family members by paying additional insurance premium, which would be settled through our Group initially and deducted from their salary (the "**Additional Coverage**").

TakeCare is one of the leading medical and dental insurers in Saipan and Guam with a sizable network of clinics. In our ordinary and usual course of business, we have been purchasing the Medical Insurance and the Additional Coverage from TakeCare for a long time before the Company's Listing on the Stock Exchange. The Directors believe that such transactions are beneficial to the Group and the Shareholder as a whole taking into account the scale and quality of TakeCare's operation in Saipan and Guam as well as the extent of coverage it offers. Besides, the Group is able to leverage on its long-established relationship with TakeCare.

The insurance premium payable by us to TakeCare is determined on a case-by-case basis in arm's length commercial negotiations. The Directors (including the independent non-executive Directors) consider that the terms and conditions under the Medical Insurance and the premium payable reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent insurers.

TakeCare is a 30%-controlled corporation of Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a controlling shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). TakeCare is an associate of a connected person, and hence a connected person of the Company.

The aforesaid agreement with TakeCare expired on December 31, 2021 and the Company entered into a new framework agreement (the "**New TakeCare Framework Agreement**") with TakeCare on November 10, 2021. Pursuant to the New TakeCare Framework Agreement, the annual caps agreed between the Company and TakeCare for each of the three years ending on December 31, 2024 are US$1,834,000, US$2,933,000 and US$3,080,000, respectively.

(c) On April 9, 2019, the Company entered into an agreement with Cosmos Distributing Co. (Saipan) Ltd. ("**Cosmos Saipan**"), Cosmos Distributing Co., Ltd. ("**Cosmos Guam**") and D&Q Co., Ltd. ("**D&Q**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to procure miscellaneous supplies of consumer goods, such as linens, towels, detergents and food and beverage ingredients, principally for our hotels and resorts operations (the "**Consumer Goods Transactions**"). Cosmos Saipan has ceased to operate since mid-2017 and its wholesale business was transferred to and taken up by D&Q.

Each of Cosmos Guam and D&Q is a consumer goods wholesaler in Guam and Saipan of significant scale. The terms and conditions of the Consumer Goods Transactions are determined on a case-by-case basis based on arm's length commercial negotiations and the amounts payable by us to Cosmos Guam and D&Q under the Consumer Goods Transactions have been more favorable to us compared to our other independent suppliers. The Directors confirm that the terms and conditions under the Consumer Goods Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent consumer goods wholesalers.

Given the scale of the operation and the quality of supplies of Cosmos Guam and D&Q in Guam and Saipan, the Directors further consider that the Consumer Goods Transactions are in the interests of our Group and the Shareholders as a whole.

Each of Cosmos Guam and D&Q is a 30%-controlled corporation of Tan Holdings (a controlling shareholder) and an associate of Mr. Chiu George (an Executive Director). Each of Cosmos Guam and D&Q is an associate of a connected person, and hence a connected person of the Company.

The aforesaid agreements expired on December 31, 2021 and the Company entered into new framework agreements (the "**New Consumer Goods Framework Agreements**") with Cosmos Guam and D&Q on November 10, 2021. Pursuant to the New Consumer Goods Framework Agreements, the annual caps agreed between the Company, Cosmos Guam and D&Q for each of the three years ending on December 31, 2024 are US$1,046,000, US$1,098,000 and US$1,153,000, respectively.

(d) On April 9, 2019, the Company entered into an agreement with Beach Road Tourism Development, Inc. ("**Beach Road Tourism**"), L&T Group of Companies, Ltd. ("**L&T Group**") and Luen Thai International Development Limited ("**Luen Thai International**") in relation to the leasing of certain premises as travel retail boutiques, a souvenir and amenities store, a burger joint, a warehousing unit in Saipan, and our corporate headquarter in Hong Kong, for a term commencing from April 9, 2019 to December 31, 2021. The Company, as landlord, has also entered into a concession agreement with Strategic Gaming Solutions, Inc. ("**Strategic Gaming**"), to lease premises within our Kanoa Resort as an amusement and gaming center operated by Strategic Gaming, for a term commencing from April 9, 2019 to December 31, 2021 (the said tenancy agreements and concession agreement together, the "**Connected Tenancy Agreements**").

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming, has been leasing properties to/from the Group since the Listing. The Directors believe that such lease arrangements are for cost efficiency and for better utilization of the Group's premises, which are beneficial to the Group and the Shareholders as a whole.

Given the prime location of the premises and the level of rental and other income received or paid by us, the Directors further consider that the leasing arrangements and their respective terms are on normal commercial terms, are fair and reasonable and are in the interests of our Group and the Shareholders as a whole.

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is a 30%-controlled corporation and an associate of Tan Holdings (a controlling shareholder), Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a controlling shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is an associate of a connected person, and hence a connected person of the Company.

(e) On April 9, 2019, the Company entered into an agreement with CTSI Holdings Limited and its subsidiaries (the "**CTSI Group**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company procures warehousing, international freight forwarding, customs clearance and local courier services for our fixtures, furniture, retail merchandises and miscellaneous supplies and documents (the "**Freight and Logistics Transactions**").

The CTSI Group is a logistics and freight service provider in Saipan and Guam of significant scale. The terms and conditions of the Freight and Logistics Transactions are determined on a case-by-case basis based on arm's length commercial negotiations. The Directors believe that the terms and conditions under the Freight and Logistics Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent logistics and freight service providers.

Given the scale of the operation and the quality of the freight forwarding services provided by CTSI Group in Saipan and Guam, the Directors further believe that the Freight and Logistics Transactions are in the interests of our Group and the Shareholders as a whole.

Each of CTSI Holdings Limited and its subsidiaries is a 30%-controlled corporation of a connected person of the Group and an associate of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). Each of CTSI Holdings Limited and its subsidiaries is an associate of a connected person, and hence a connected person of the Company.

The aforesaid agreement with CTSI Group expired on December 31, 2021 and the Company entered into a new framework agreement (the "**New CTSI Framework Agreement**") with the CTSI Group on November 10, 2021. Pursuant to the New CTSI Framework Agreement, the annual caps agreed between the Company and the CTSI Group for each of the three years ending on December 31, 2024 are US$1,255,000, US$970,000 and US$1,024,000, respectively.

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmations from the independent non-executive Directors and auditor

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these continuing connected transactions (i) were entered into in the ordinary and usual course of business of the Group; (ii) were either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with "Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed that the above transactions were approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and announcements of the Company. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 37 to 39 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirmed that, save as disclosed above:

(i) there were no subsisting contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, at the end of the Year or at any time during the Year; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles provides that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against actions, costs, charges, losses, damages and expenses as a result of any act or failure to act in the execution of their duty. The Company has also maintained Directors' and officers' liability insurance during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

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.

PUBLIC FLOAT

As of the date of this annual report, 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a Director had a material interest, whether directly or indirectly, subsisting at the end of the Year or at any time during the Year which is required to be disclosed.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out in pages 81 to 98 of this annual report.

AUDITOR

The consolidated financial statements for the Year have been audited by Messrs. Ernst & Young. A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Messrs. Ernst & Young as the auditor of the Company.

On behalf of the Board

TAN Henry, *BBS, JP*
Vice Chairman of the Board,
Executive Director and Chief Executive Officer

March 30, 2023

Principal Risks and Uncertainties

The Group's business operations and results may be affected by various factors, some of which are external causes, and some are inherent to the business. There are several principal risks and uncertainties which may directly or indirectly affect the Group's business operations, financial conditions and future business prospects. The magnitude of the impact on the Group arising from these risks depends on the severity, duration and locality of the relevant event should it occur. There are also risks that are not significant now but can turn significant, risks that we are not aware of and/or new risks that may emerge in the future. Outlined below are the several principal risks and uncertainties that may affect the Group, but this list is not intended to be exhaustive or comprehensive:

1. Macro-economic and political environment

The Group is one of the leading leisure tourism groups in Saipan and Guam. Our business is particularly sensitive to the general macro-economic and political environment, which could affect levels of discretionary leisure tourism and tourist spending. In particular, the number of tourists traveling and the amount they spend on holidays could decrease if disposable income reduces, sales taxes or value-added taxes increase, unemployment rate increases, transport and fuel costs increase, or the spending habits of tourists change in response to uncertain economic conditions. We closely monitor changes in the macro-economic environment and endeavor to adjust our business plans in a timely manner.

2. Tourist Arrivals

The Group's business depends on the number of tourist arrivals in Saipan and Guam, which is highly reliant on the schedule and price of the flights to and from Saipan and/or Guam. These flights could be regular flights or chartered flights. Suspension or reduction in the frequency of direct flights from a key tourist origin market, such as mainland China, South Korea and/or Japan, could significantly reduce the number of tourist arrivals from these markets. In turn, our results of operations might be adversely affected and the competition in the leisure tourism market in Saipan and Guam might intensify. The Group does not have any contractual relationship with airlines and control over their business decisions on flight operations and pricing. Nevertheless, we actively encourage the airlines to develop new flight routes from our key tourist origin markets with a view to facilitate a general increase in the number of air seats to and from Saipan and/or Guam.

3. Land lease renewal

The Kanoa Resort is operated on land parcels leased from the local government which will expire on June 15, 2025. If we fail to renew the land leases, we will lose a revenue stream and our business prospects, results of operations and financial conditions could decline. The renewal of the public land leases will be subject to the publication of a public notice and a public hearing (where public comments are collected) as well as commercial negotiations on statutorily prescribed terms and conditions, including rental level, new improvements and upgrades and public benefits and contributions (such as local employment, public facilities or infrastructure), all of which are common in the context of public land lease renewals in the CNMI and Guam but are not entirely within our control. As of the date of this annual report, we are finalizing the land lease renewal with the local government.

4. Human Resources

The Group's operations in Hotels & Resorts Segment is labor-intensive. Our success depends in large on our ability to attract, retain, train, manage and engage employees. The level of services we provide to our guests depend a significant degree on the quality and skillset of our staff (including our temporary and full-time employees and our casual staff). The failure to attract, retain, train, manage and engage skilled employees could reduce guest satisfaction and thus have a material adverse effect on our business, results of operations and financial conditions. Staffing shortages could also hinder our ability to grow and expand our businesses. A shortage of skilled employees could also require higher wages that would increase our personnel costs and could adversely affect our profits. The Group monitors labor market conditions on a regular basis to ensure our employment terms are both reasonable and competitive while maintaining our high quality of services.

5. Legal and Compliance

The Group is committed to complying with all relevant legal, regulatory and contractual requirements, which gives rise to compliance costs.

The Group's Hotels & Resorts Segment has three hotel management agreements with our Hotel Manager, each of which has a term of 25 years from its commencement date with two options to renew for an additional 5 years each. During the term of the hotel management agreements, we are subject to a number of terms and obligations which may restrict our hotels and resorts business operations. Failure to observe the terms of the hotel management agreements may give rise to the Hotel Manager's right to prematurely terminate the hotel management agreements with 30 days' notice.

The Group's Luxury Travel Retail Segment has a number of franchise and distribution agreements with brand owners which typically have a fixed term of 4 to 5 years. During the term of these agreements, we are subject to a number of terms and obligations which may restrict our travel retail business operations, expansion and future prospects. Failure to observe these terms may give rise to the brand owners' rights to prematurely terminate the franchise and distribution agreements with a nil to 60 days' notice.

During the Year, the Group has bank facilities of US$48,000,000. As of the date of this report, the full amount of the facilities was drawn to finance the renovation and upgrade works that have been carried out to Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam. The two hotels have reopened on October 31, 2022 and November 16, 2022, respectively. Pursuant to the terms and conditions of the facilities with the bank, the Group is subject to certain undertaking clauses including but not limited to financial covenants and completion of the renovation and upgrade works of Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam at an agreed date. Failure to observe these covenants may allow the bank to request for immediate repayment of all outstanding bank borrowing drawn under the facility.

The Group actively engages external professional advisors to advise on relevant legal, regulatory and contractual requirements to ensure compliance. The Group also actively negotiates with the bank in order to obtain waivers for relevant undertaking clauses which may potentially be breached in order to avoid the bank from requesting for immediate repayment and such that the bank facility will continue to be available to the Group.

6. Disaster Events

The Group's leisure tourism business will be materially and adversely affected by natural disaster events such as super typhoon or flooding. Other disaster events include acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events. Depending on the severity, duration and locality, such events could severely disrupt the Group's business operations and cause damages to our properties. Such events, or a general apprehension of such events, may also significantly and adversely affect travel sentiments and reduce demand for tourism products and services in the affected destination. The Group regularly conducts risk assessment, and has taken out comprehensive insurance covering our properties, business operations and third-party liabilities.

The global outbreak of COVID-19 in 2020 is an example of such disaster events, which has also caused changes in the macro-economic environment, dampening of global travel sentiment, decrease in flight availability and hence tourist arrivals, as well as changes in local laws and regulations (including but not limited to travel bans and mandatory quarantine requirements).

The impact of the COVID-19 outbreak on our Group's business and the measures taken by our Group to manage the same are set out in the section headed "Management Discussion and Analysis" on pages 10 to 20 of this annual report.

The extent of the impact of the COVID19 pandemic on the Group's business operations and financial results remains a principal risk and continues to create uncertainties for our Group's business operations and financial results.

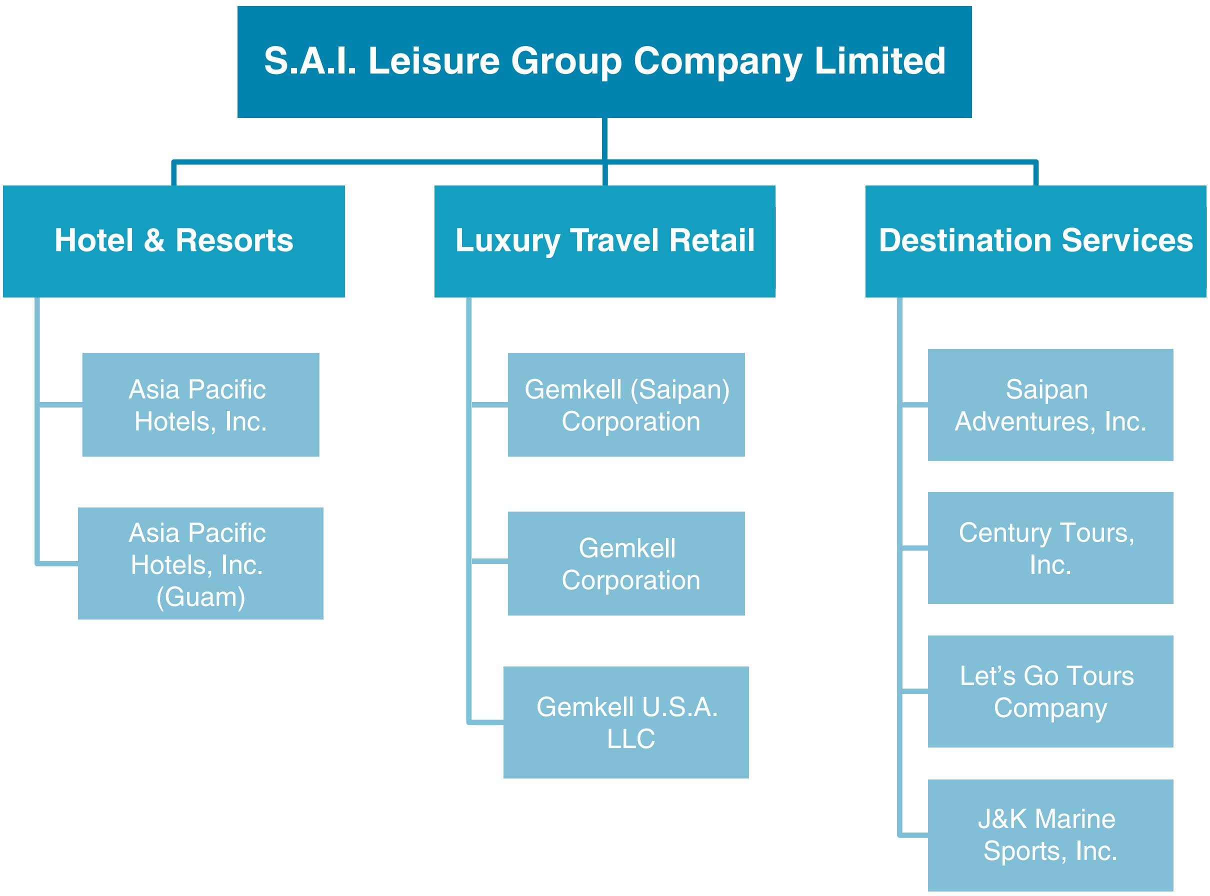
Environmental, Social and Governance Report

ABOUT THIS REPORT

The Group is pleased to publish the environmental, social and governance ("**ESG**") report (the "**ESG Report**") of the Group for the Year.

Reporting Scope

The scope of this ESG Report covers the Group's corporate headquarter in Hong Kong and leisure tourism operations in Saipan, Guam and Hawaii, territories of the U.S., under the three business segments of hotels and resorts, luxury travel retail and destination services for the Year. Unless otherwise specified, the data include the following subsidiaries and the scope of the ESG Report remains the same as that in the previous years.



Reporting Standard

This ESG Report has been prepared in accordance with the latest requirements of the ESG Reporting Guide set out in Appendix 27 of the Listing Rules. In developing the content of the ESG Report, the Group adheres to the fundamental reporting principles, namely materiality, quantitative, balance and consistency, as outlined in the HKEx ESG Reporting Guide.

Reporting Principles	Description
Materiality	Material topics were assessed through internal discussion and engagement of key stakeholders. The materiality matrix and details of stakeholder engagement are illustrated in the later section of the ESG Report.
Quantitative	All environmental and social key performance indicators (“**KPI(s)**”) in the ESG Report were calculated in accordance with a series of standardized methodologies and robust methodologies were adopted as illustrated in the relevant sections.
Balance	We have included data comparisons over years to provide an unbiased comparison of our ESG performance from time to time.
Consistency	The ESG Report is prepared in the same way in terms of the reporting scope and methodologies when compared to those in the previous years. Consistent environmental and social data management approach is adopted to allow a fair comparison of our performance over time.

The Board has acknowledged its responsibility to oversee the Company’s sustainable development and ensure that appropriate and effective ESG risk management and internal control systems are in place. The ESG Report has been reviewed and approved by the Board.

Contact & Feedback

The Group values your feedback and opinion on the ESG Report. Please feel free to contact us with the contact information below:

S.A.I. Leisure Group Company Limited
5/F Nanyang Plaza
57 Hung To Road, Kwun Tong
Kowloon, Hong Kong

Email: **info@saileisuregroup.com**
Company website: **www.saileisuregroup.com**

Environmental, Social and Governance Report

ABOUT THE GROUP

As reflected in our corporate company name, the Group is dedicated to providing leisure travelers with unique and unforgettable experiences that encompass the themes of "Sea, Air, and Island". Since our establishment in 1972, we have positioned ourselves as one of the premier leisure tourism groups in the Western Pacific Region, committed to delivering exceptional service and ensuring visitors enjoy every aspect of our diverse leisure tourism business.

Hotels and Resorts

In our Hotels and Resorts Segment, we are proud to own four properties in Saipan and Guam. Our beachfront resorts, Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam are premium resorts offering a wide range of services in respect of leisure and entertainment, meeting and events, dining and accommodation. Kanoa Resort is honored to be able to support the CNMI Homeland Security and Emergency Management since March 2020 by providing its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon their arrival in Saipan. In July 2022, the relevant emergency contract was completed and Kanoa Resort is currently closed. The Group is now in the process of carrying out planning and design works for the renovation and rebranding Kanoa Resort as "voco Resort Saipan". Meanwhile, Century Hotel provides budget-friendly lodging and food and beverage ("**F&B**") services for both budget and business travellers.

We have partnered with one of the leading international hospitality chains, allowing us to further the Group's performance, market position and future business development. Our ultimate goal is to provide exceptional service and create memorable experiences that bring happiness to our guests.

Luxury Travel Retail

We carry a suite of 9 world-renowned brands under the Group's Luxury Travel Retail Segment, providing our customers with a diverse selection of fine clothes, leather goods, and fashion accessories. As of the end of the Year, we have 16 boutiques in Saipan, Guam, and Hawaii. Each of our boutiques is a standalone "concept store" that houses a single brand.

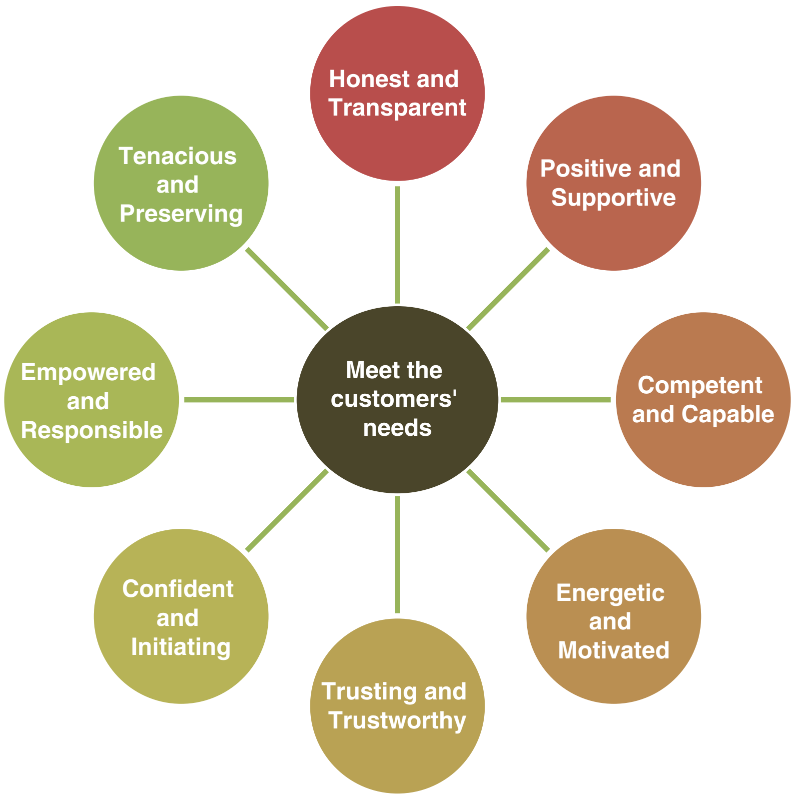
Destination Services

In Saipan, we provide three reasonably priced and popular excursion tours under our Destination Services Segment to present our guests with unique "Sea", "Air" and "Island" experiences. SeaTouch (a stingray interaction experience), Jetovator (a hydro-powered jetski that propels participants through the air) and Let's Go (a 4-wheel drive jungle and mountain adventure) are the three unique experiences that we offer to our guests. Aside from that, the Group has three souvenir and amenities shops, two local tour agency offices that provide booking services for third-party and self-operated activities and tours, as well as destination-based concierge and travel management services to travelers in Saipan. We strive to optimize our customers' experiences by providing comprehensive one-stop tourist services.

CORPORATE VALUES

Value	We respect humanity and do the right things.
Accountability	We are responsible to each other and to all those we serve.
Learning	We continually expand our minds to enhance our performance, cope with the change in market trends and growth.
Unity	We work together in harmony to achieve our common goals.
Empowerment	We have the strength to follow through on our commitments.
Satisfaction	We render our guests a feeling of wanting to return.

To set ourselves apart from competitors and remain agile in the face of changing market dynamics, we are guided by eight core corporate values that underpin our ESG commitments. These values are integral to our success and help us to deliver exceptional service while meeting the needs of all stakeholders.



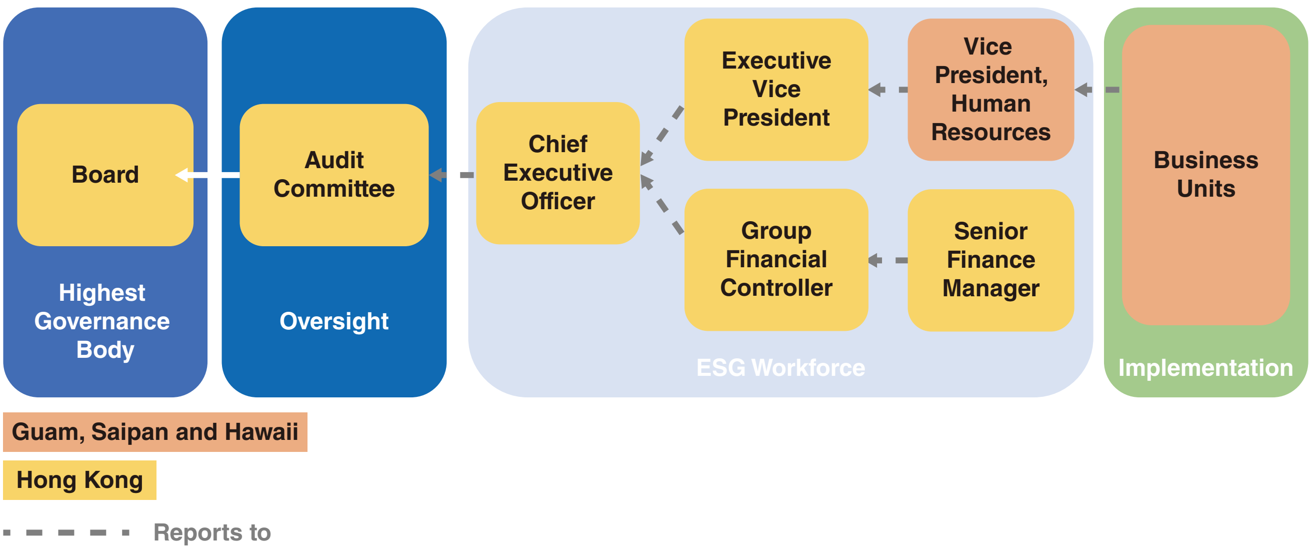
ESG GOVERNANCE

A solid and effective corporate governance framework allows us for more adequate oversight and better management of ESG issues. The Group has established an ESG governance structure with four management levels and clearly defined responsibilities to ensure the accountability of policy implementation and enhance our ESG performance.

The goals of the ESG workforce (the "**Workforce**") of the Group include overseeing related policies and practices, assessing, and making recommendations on issues about sustainable development of the Group. The Workforce ensures their activities correspond to the appropriate targets. The Workforce meeting is held at least once a year to discuss emerging ESG challenges and trends, identify and mitigate ESG risks, and assess the efficacy of the structures, policies, and actions of the Group. Moreover, the Workforce provides the Board suggestions for tactics on issues involving the strategies of the corporate social responsibility and environmental aspects.

The Workforce directly presents its conclusions, choices, and recommendations to the Chief Executive Officer ("**CEO**") and the Audit Committee. The Audit Committee oversees and supervises the Workforce to guarantee adequate and efficient ESG risk management procedures are in place. Regarding any ESG risks and issues, the Audit Committee reports its findings and suggestions to the Board.

The organization of our ESG management system, along with their duties, are summarized as follows:



The Board	
• Oversee ESG issues of the Group • Set the approaches, strategies, priorities and objectives of the ESG management • Evaluate the Group's performance periodically against ESG related goals and targets	• Identify and respond to the ESG-related issues, risks and opportunities • Verify that ESG risk management and risk management system are efficient • Review and approve the ESG Report

CEO	
• Review and approve the Group's ESG management approaches, strategies, priorities and objectives • Lead the Workforce which is responsible for developing sustainability short-term, mid-term and long-term goals and a set of ESG KPIs	• Review the Group's performance periodically against ESG related goals and targets • Review and make recommendations to the Board in respect of the ESG strategies, priorities and targets

Executive Vice President	
• Facilitate and drive ESG strategies, goals and initiatives within the business units • Set appropriate strategic goals, shorter term KPIs and associated targets related to ESG matters • Monitor and report the performance against those KPIs and targets	• Monitor and review the Group's policies and practices relating to ESG matters to ensure that they are relevant, effective, reflective of best practice and comply with legal and regulatory requirements and international standards

Group Financial Controller	
• Lead the coordination and communication of ESG work streams across the Group to ensure consistency, integration and executable outcomes • Identify or procure required resources to implement sustainability programmes or projects	• Develop and execute sustainability project goals, objectives, initiatives or strategies in collaboration with other external sustainability professionals • Assist management to review sustainability targets and metrics as well as recommending improvement measures

Vice President Human Resources	
• Research or review regulatory, technical or market related sustainability publications in Guam, Saipan and Hawaii • Organize workshops, seminars and trainings to enhance the ESG awareness of employee	• Provide technical or administrative support for ESG issues • Support the development of corporate sustainability strategies that reflect important ESG issues to the Group

Senior Finance Manager	
• Facilitate the implementation of the defined sustainability projects and to ensure the sustainability projects are in line with the ESG strategies and targets • Coordinate with internal departments and contracted partners to manage ESG disclosures and communications such as annual ESG report and questionnaires • Coordinate the implementation of sustainability activities across Hong Kong, Saipan, Guam and Hawaii, handle related enquiries from both internal and external stakeholders	• Perform regular benchmarking of the Group's sustainability performance against peers and leaders as well as monitoring emerging stakeholder trends and global sustainability-related policies and developments • Support preparation of ESG report and sustainability related disclosures, including data collection, measurement and analysis, stakeholder engagement and content development

STAKEHOLDER ENGAGEMENT

In order to develop sustainable strategies for the Group's daily operations, it is vital to understand our stakeholders' demands, concerns and expectations on the Group's ESG performance. We have established various communication channels to facilitate the communication process with both internal and external stakeholders. The key communication channels and areas of concern are listed as follows:

Stakeholder groups	Communication channels	Areas of concern
Investors and shareholders	• Company website • Company's announcements	• Business performance • Business integrity • Compliance status • ESG management
Customers	• Company website • Websites of each hotel and the excursion tours • Customer direct communication • Customer feedback and complaints	• Quality of services and products
Employees	• Training and orientation • Email and opinion box • Regular meetings • Employee performance evaluation • Employee activities	• Career development • Training • Remuneration & benefits • Labor rights • Health & safety
Suppliers and business partners	• Procurement process • Regular performance evaluation • Regular communication with business partners (e.g. email, meetings, on-site visit etc.)	• Procurement standard • Supply chain management • Operation management
Government authorities and regulators	• Documented information submission • Compliance inspections and checks • Regular meetings/luncheons with local government representatives • Forums, conferences and workshops	• Compliance status • Report & document submission • License registration
Non-governmental organizations	• Email • Phones • Charity donations and voluntary services	• Labor rights • Environmental protection
Communities	• Company website • Community activities	• Community investment • Environmental protection
Media	• Company website • Company's announcements • Social networking platforms	• Compliance status • Environmental protection • Labor rights • Business integrity

MATERIALITY ASSESSMENT

To identify the material ESG issues to the Group and formulate appropriate ESG strategies, the Group has commissioned an independent consultant to conduct a materiality assessment in form of an online questionnaire. Both our internal and external stakeholders were invited to participate in the online questionnaire by scoring 27 ESG topics in accordance with their relevance and importance to the business operation and the stakeholder themselves respectively. ESG topics cover areas of environmental protection, community investment, operational practices and employment.

Identification

- To create and categorize a list of potential ESG topics and identify key stakeholder groups.

Engagement

- To invite internal and external stakeholders to complete an online survey.

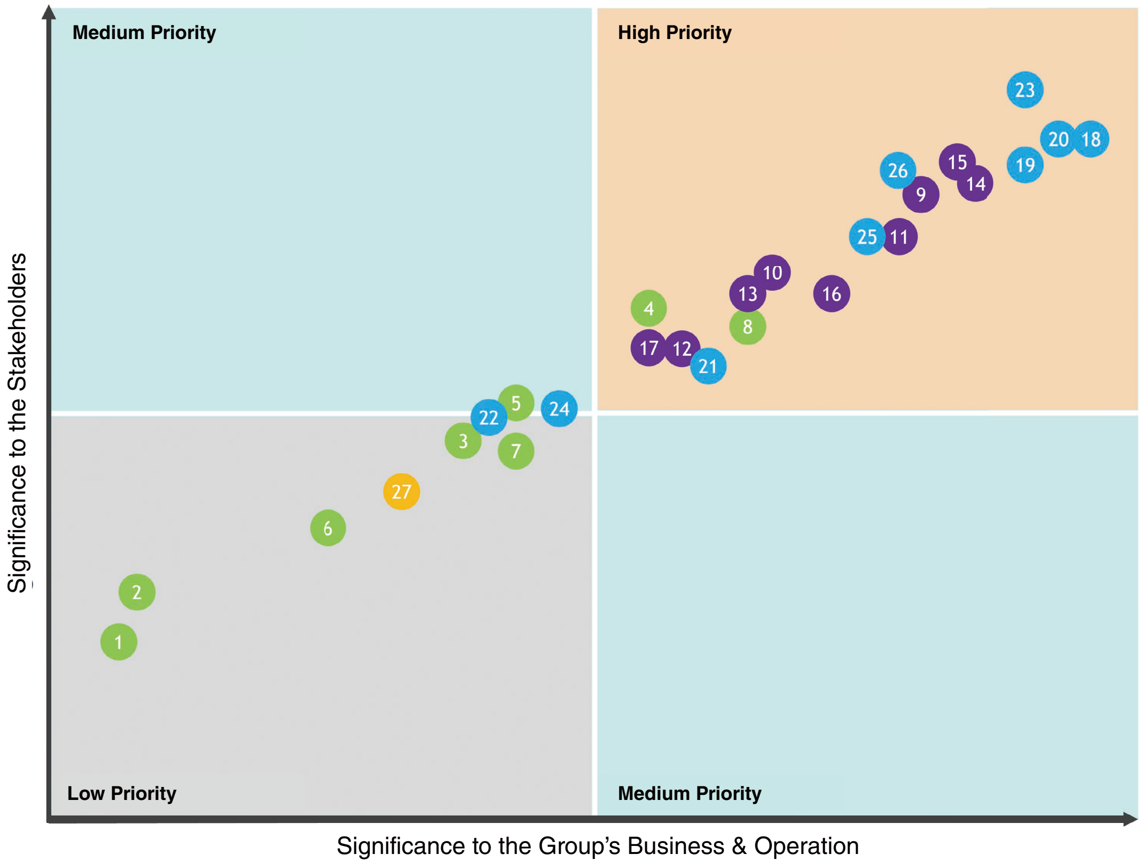
Analysis and Evaluation

- To evaluate and prioritize the most material ESG topics.

Validation

- The results are validated by the Group to determine the priority of the ESG topics for ESG report disclosure and future improvement.

Based on the scores of each of the ESG topics identified by the stakeholders, the ESG issues are prioritized and shown in the materiality matrix below. Topics that fell in the upper right corner of the matrix were identified as the topics that matter the most to the Group's business operations and that our stakeholders are most concerned about. We strive for continuous improvement in our ESG performance, governance, and policies in the future.



Environment	Employment	Operation
1 Air emission	9 Labor rights	18 Customer satisfaction
2 Greenhouse gas emission	10 Labor management relations	19 Customer service quality and complaints handling
3 Climate change	11 Employee retention	20 Customer health and safety
4 Energy efficiency	12 Diversity and equal opportunity	21 Marketing and product and service labelling compliance
5 Water and effluents	13 Non-discrimination	22 Intellectual property
6 Use of materials	14 Occupational health and safety	23 Customer privacy and data protection
7 Waste management	15 Employee training	24 Responsible supply chain management
8 Environmental compliance	16 Employee development	25 Business ethics
	17 Prevention of child and forced labor	26 Socio-economic compliance
		Community
		27 Community support

CORPORATE GOVERNANCE

The Company was incorporated in the Cayman Islands with limited liability and was listed on the Main Board of the HKEx on May 16, 2019. We are governed by the Corporate Governance Code set out in Appendix 14 of the Listing Rules. For more information on our directors and governance structures, please refer to our Corporate Governance Report on pages 81 to 98 of this annual report..

CARE FOR OUR EMPLOYEES

We believe that employees are our most significant assets of the Group, as their hard work and contributions are the driving force of our success and business development. As a responsible employer, we are committed to fostering a healthy and harmonious workplace for our employees. The Group strictly abides by all applicable laws and regulations in the regions where our operations are located.

During the Year, the Group was not aware of any material non-compliance with laws and regulations in Hong Kong, Saipan, Guam or Hawaii relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, or other benefits and welfare.

Laws and Regulations

- Fair Labor Standards Act
- Guam Minimum Wage and Hour Act
- Family and Medical Leave Act
- Guam Child School-Related Leave Act
- Worker's Compensation Law of Guam
- Title VII of the Civil Rights Act of 1964
- Age Discrimination in Employment Act of 1967
- Americans with Disabilities Act
- Equal Pay Act of 1963
- Pregnancy Discrimination Act of 1978

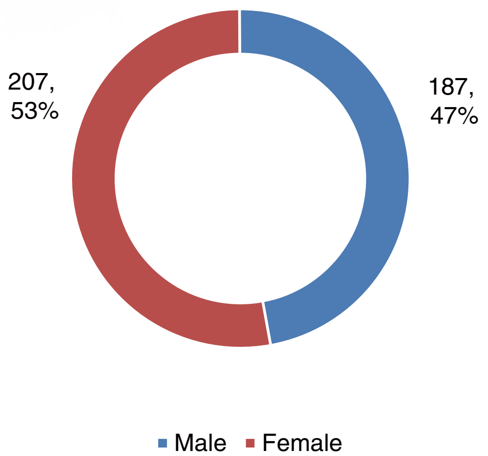
Equal and Diversified Workplace

The Group embraces inclusion and diversity in the workplace by adopting a zero-tolerance approach to any form of harassment and discrimination. We are dedicated to providing equal opportunities for all employees in various employment aspects, including remuneration, recruitment, training and promotion, such decisions are solely based on the qualifications, experiences, and capabilities of the employee. We prohibit all forms of discrimination based on race, sex, marital status, disability status, or other differences unrelated to employment requirements.

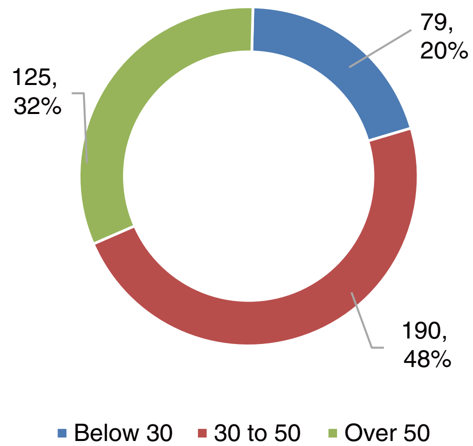
As stipulated in the Employee Handbook and Code of Conduct, we place a high value on human relations, human diversity and human rights, all staff are expected to treat one another and the public in a cordial and respectful manner. Spreading and encouraging gossip that creates work conflict is also considered as misconduct which could result in disciplinary actions up to dismissal.

We have developed a grievance system and urge all employees to promptly report any unfair treatment to them. Complaints can be reported to supervisor, department manager, the Human Resources manager or Legal Department. The assigned complaint investigator will then conduct a thorough investigation to gather all material information and propose remedial actions. We will maintain confidentiality throughout the investigation and strictly forbid any form of retaliation against our employees. After the investigation is complete, the Group will take appropriate disciplinary actions against those who violate the anti-discrimination and anti-harassment policy, including counselling, written warning, demotion, discharge or any other action deemed appropriate.

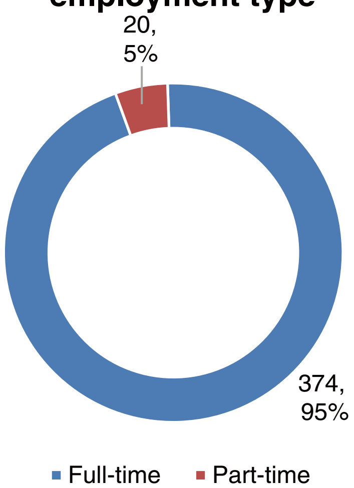
Total workforce by gender



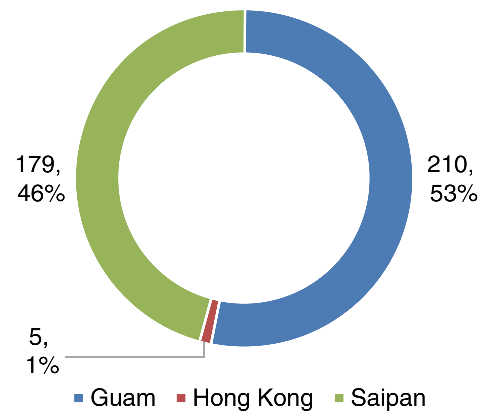
Total workforce by age group



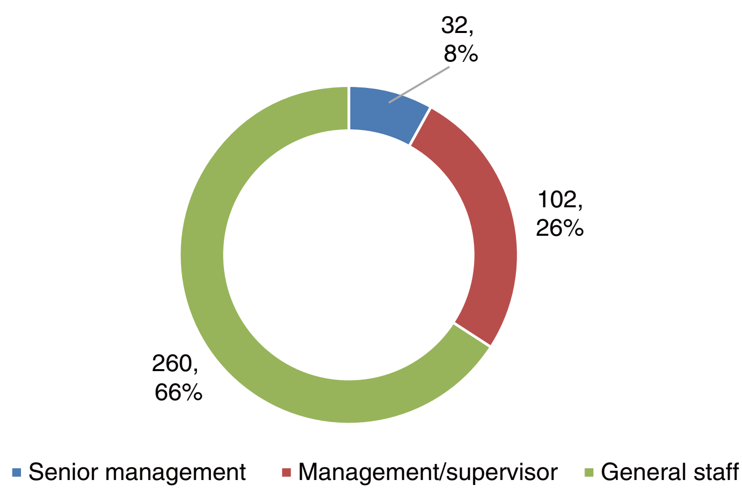
Total workforce by employment type



Total workforce by geographical region



Total workforce by position



Employee Turnover Rate[1]		% in 2022	% in 2021
Total		46.70	34.88
By gender	Male	51.87	35.19
	Female	42.03	34.58
By age group	Below 30	49.37	128.57
	30 to 50	48.42	23.16
	Over 50	42.40	26.26
By geographical region	Hong Kong	0.00	40.00
	Saipan	59.22	20.69
	Guam	36.19	34.29
	Hawaii	0.51	108.33

Employment Practices

Maintaining a close relationship with employees is always a top priority to us, and we strive to motivate our employees by providing a dynamic working environment and competitive remunerations and benefits. Our human resources policies provide guidance and information on recruitment and selection, employment remuneration and benefits, employee code of conducts, performance appraisal, promotion and termination, and so on.

We acknowledge that attractive remuneration packages can retain talents and enhance productivity. Therefore, the Group offers market-competitive salary packages, medical insurance, travel insurance, and compensation insurance. Performance appraisal is conducted regularly to provide both supervisors and employees with the opportunity to identify weaknesses or deviations from standards. Discretionary bonus will be offered based on the performance of the employee. In recognition of the loyalty of employee, we provide long service award with a gold coin according to their years of service.

In order to encourage employees to maintain a work-life balance, we have established specific working hours in employment contracts to avoid overtime work. In case of overtime work, employee should obtain approval from an immediate superior or department manager and we will provide them with overtime meal. The Group abides by the applicable laws and regulations on working hours and rest periods. Apart from statutory holidays, vacation leave and sick leave, our employees are also entitled to jury or witness duty leave, voting leave, family and medical leave, military leave, and major disaster volunteer leave. Additionally, duty meal(s) will be provided to our hotels and resorts staff during regular meal breaks in an associate restaurant.

We strictly prohibit any form of child and forced labor in our business operations. All employees are required to sign a legally binding contract to make sure they are working on a voluntary basis. New joiners are also offered new employee orientation, which includes information on labor rights. Besides, we will conduct regular reviews of our hiring practices to ensure that there is no child or forced labor in the workplace. The Group complies with all applicable laws and regulations relating to the prevention of child and forced labor, including the Fair Labor Standards Act and the Guam Minimum Wage and Hour Act. During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labor in Hong Kong, Saipan, Guam, or Hawaii.

1 The turnover rate is calculated by dividing the employees in the specified category leaving employment by the total number of employees in such specified category.

Safe and Healthy Workplace

Safeguarding employees' health and safety is the basic principle of the Group. We established a stringent policy to restrict employees from smoking, drug, and alcohol within office premises so as to protect their health. As the Group operates in three segments, and each of them has different needs and requirements for occupational safety and health ("**OSH**"). The safety measures adopted for different segments will be described separately in the section below.

We strictly abide by all applicable laws and regulations, including but not limited to the Occupational Safety and Health Administration ("**OSHA**") Health Act of 1970 and the OSHA Hazard Communication Standard in the U.S.. During the past three years (i.e. from January 1, 2020 to December 31, 2022), the Group had zero cases of work-related fatality and lost days due to work injury. In addition, the Group was not aware of any material non-compliance with laws and regulations in Hong Kong, Saipan, Guam and Hawaii relevant to ensuring a safe working environment and protecting employees from occupational dangers during the Year.

Hotels and Resorts

For the Hotels and Resorts Segment, the Group has implemented a robust Safety and Health Programme to manage a wide range of OSH issues, including safety training, on-site inspection, hazard identification, and communication. A Safety and Health Committee is also established to be responsible for formulating and managing OSH policies, as well as reviewing and evaluating statistical information, records, and reports on safety issues. The Safety and Health Committee is led by the hotel General Manager, who will conduct monthly meetings to evaluate the OSH issues in the Hotels and Resorts Segment.

In addition, we adopted a comprehensive Safety Inspection Checklist for the Hotels and Resorts Segment, the designated safety coordinator for each business unit will follow the instruction from the checklist and conduct quarterly inspection to identify potential OSH risks. The Safety Inspection Checklist is specifically designed for the hospitality industry, which covers a wide range of OSH issues, including but not limited to the allocation and conditions of safety equipment, the adequacy of safety measures of the work site, the hygiene condition of the workplace, the availability and condition of personal protective equipment and the storage arrangement of hazardous materials. The Group strictly complies with all OSHA standards and formulated an OSHA inspection policy, guiding the inspection procedures and the identification of corrective action. For example, food-handling staff must obtain or renew their health and food handler certificates annually to ensure sufficient knowledge on handling food in a hygienic manner. During the Year, we also conducted monthly fire drill for the Hotels and Resorts Segment, and organized OSHA training that cover a wide range of safety topics, including CPR and first aid, as well as the handling of hazardous materials.

Luxury Travel Retail

We are dedicated to providing a safe and healthy environment for our employees and customers. In the Luxury Travel Retail Segment, the Group established the Employee Safety Handbook to set out guidelines for achieving an accident-free workplace, such as hazard prevention, hazardous material spills, fire prevention, fall protection, and first aid treatment. In addition, safety and emergency policies are stipulated in the Tenant's Handbook provided by our landlords. We require our employees to be familiar with both Handbooks in order to prepare themselves for unpredictable situations such as fire and robbery.

Destination Services

To ensure the safety of employees and guests across various situations including unexpected events and possible emergencies, our business units under the Destination Services Segment have formulated their own policies on contingency plans, providing instructions on potential emergencies, such as natural disasters, car accidents, food poisoning, robberies, and hazardous material spills. The safety measures and contingency plans are also covered in the orientation training programme for new employees, all employees should remain calm and responsive during emergencies and always prepare a backup plan.

A Harmonious Workplace

The Group believes that communication is the key to fostering a harmonious workplace. To this end, we have adopted an open-door policy, employees are welcome to speak up about their challenges and concerns in the workplace with their corresponding supervisors and department managers. We promise that there will be no discrimination against any employee for making a complaint, including but not limited to the grounds of sex, marital status, pregnancy, disability, family status or trade union participation. We also accept anonymous opinions and grievances through the employee suggestion box.

In 2022, we organized several activities to build mutual trust and promote a sense of belonging among the Group. During the year-end appreciation party, we express our appreciation for employees' hard work throughout the Year and awarded the employees with long service.

Training and Development

We understand that professional competency and development of our employees are essential to the Group's success. It is crucial to unleash the potential of our employees and foster a culture of continuous development. We actively encourage our employees to further develop their talents and potential by providing a variety of training programmes, as well as an education sponsorship programme, providing financial assistance for educational development outside regular working hours. In 2022, we have organized a total of 8,825 hours of training for our employees with an average of 22.40 hours per employee. The detailed training profile is illustrated in the table below:

	2022	2021
Total number of training hours received by employees	8,825.00	2,834.00
Average training hours per employee and percentage (%) of employees who received training[2]	22.40 (83.25%)	13.18 (106.05%)
By gender		
Female	21.28 (82.13%)	12.42 (100.00%)
Male	23.63 (84.49%)	13.94 (112.04%)
By employment category		
Senior Management	18.91 (68.75%)	13.14 (104.55%)
Management/Supervisor	24.00 (86.27%)	9.75 (117.54%)
General Staff	22.20 (83.85%)	14.63 (101.47%)

2 Including the trained employees who subsequently left employment by the end of Year.

Hotels and Resorts

The Training and Development Policy is formulated for the Hotels and Resorts Segment to facilitate better management of employee's career and development. By providing a wide range of training programmes, we strive to help our employees to acquire or replenish skills and perform better at their jobs. The Group offers universal training programmes such as equal employment opportunity, customer services, time management and workplace hygiene, as well as focused training programmes based on the position and needs of employees, such as housekeeping, front desk, and kitchen skills. To ensure the quality and effectiveness of our training, we will conduct regular evaluation on employees' performance and make continuous improvements.

In addition, the Human Resources Department has been organizing orientation training for all newcomers, providing them with basic information about the Company's history, core values, business philosophy, in-house policies and procedures, and employee benefits. Throughout our regular appraisal process, we will not only assess the performance and potential of employees, but also willing to listen to their opinions. Employees are welcome to communicate with their supervisors on challenges and areas of improvement. The department heads and supervisors will provide our employees with constructive advice, and support employees to pursue further education and training programmes to thrive in the Group.

Luxury Travel Retail

The Group also provides orientation training for all new employees in the Luxury Travel Retail Segment, the first 90 days of employment is an introductory period which allows our employees to be familiar with the Company. Meanwhile, as the franchiser of various international fashion brands, we will provide a tailor-made orientation programme for each brand, guiding our employees to carry out daily job duties according to the standard of each brand, such as product information and sales techniques. We also arranged role-playing sessions to simulate the potential scenarios employees may face during their daily work.

The performance and potential of employees will be evaluated by their supervisor during the introductory period, afterwards, we will conduct an annual appraisal to keep track of their performance. Based on the personality and potential of employees, we strive to assist their personal development and provide guidance on their career paths.

Destination Services

For the Destination Services Segment, we strive to differentiate ourselves from market competitors by maintaining an excellent service standard. By adopting a career-focused training method, all of our tour guides and staff of excursion tours are required to attend training courses related to their job duties, in order to refresh their knowledge and keep up with the market trend. Furthermore, we developed a stringent standard on contract renewal for employees from different divisions, tour guides must be holding a valid qualified tour guide certification to renew their employment contracts, while the jetovator operators should demonstrate an excellent swimming ability. The Group fully supports employee's training and development by subsidizing them for external job-related courses, such as first aid course and lifeguard qualification course.

SERVICE AND PRODUCT RESPONSIBILITY

In addition to focusing on tour distinctiveness, sales services, and customer satisfaction, our company places a strong emphasis on creating memorable experiences for our guests. We understand that travel and hospitality are not just about providing a service, but about creating lifelong memories and building relationships with our customers.

Our mission is to provide exceptional travel and hospitality services that exceed the expectations of our clients and contribute to the overall well-being of the communities we serve. We believe that by focusing on customer satisfaction, sustainability, and community engagement, we can achieve long-term success and build a strong reputation as a leader in the leisure tourist industry.

During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to safety and health, advertising, labelling and privacy matters, and method of redress relating to products and services provided in Hong Kong, Saipan, Guam and Hawaii. No sold products were subject to recalls for safety and health reasons, and no product- and service-related complaints had been received during the Year.

Service Excellence

Hotels and Resorts

The main objective of the Group is to offer its valued customers a memorable and enjoyable experience. To achieve this goal, a customer-centric approach is encouraged, where employees are expected to provide attentive services to visitors while being professional and patient. Employees receive series of training to ensure they meet brand standard and the company's expectations of employees in terms of customer service, including guidelines for greetings, phone etiquette, and customer care, which are formulated to ensure that the highest quality of service is provided with warm and sincere hospitality to enhance customer satisfaction.

One of the most important components of the hotel and resort business is the F&B service, and the company places significant emphasis on food safety. The Group adheres to all applicable laws and regulations in their operating areas, such as the Guam Food Code and the Food Handlers Rules and Regulations in Guam and Saipan. In addition to complying with the regulations, the company has also implemented strict internal rules, such as work clothing policies, to regulate the personal cleanliness of F&B personnel. Kitchen workers are required to wear hairnets and are prohibited from wearing cosmetics, nail polish, or accessories while at work. F&B employees are also required to attend related training courses and obtain a valid food handler's certificate under local statutory requirements.

Aside from food safety, the Group is committed to providing a welcoming and relaxing environment for all visitors. The hotels are non-smoking, and the company endeavors to maintain a smoke-free environment for their guests. However, designated outdoor smoking locations are provided to accommodate smoking guests. To enforce the policy, "No Smoking" signs are posted; ashtrays are removed; and guests are asked to refrain from smoking outside of designated locations.

The Group values constructive feedback from its guests and takes their suggestions and comments seriously. We strives to improve their hotel services while demonstrating their attention to guest feedback through their systematic customer complaint management procedure. On-the-job training and refresher training are also regularly held to ensure that personnel are able to provide quick and professional service to all guests while fulfilling their job duties properly.

Luxury Travel Retail

Our Group is committed to delivering a premium and enjoyable shopping experience for our customers in our boutiques. To achieve this goal, we have implemented a regular training programme for our newly hired sales associates to provide professional, timely, and sincere customer service. The training curriculum includes unique branding tactics and product expertise for each multinational brand to enhance sales associates' knowledge.

Moreover, all of our retail employees must comply with personal appearance guidelines and dress appropriately based on the Group's franchise and distribution agreements with relevant brands. Refunds, returns, or exchanges are generally not permitted after the sales transactions, but customers can request a refund for any defective products as per the specified brand's policy. However, in the Luxury Travel Retail Segment, returns and exchanges are rare due to our customers mostly being leisure travelers visiting Saipan, Guam, and Hawaii for a short vacation.

In managing customer complaints, we follow the regulations set by the corresponding international brands.

Destination Services

The Group strives to prioritize the safety of its customers and staff during their participation in excursion tours under our Destination Services Segment. To ensure that the marine activities' guidelines are well-understood and followed by our marine activity operators, the Marine Operator Handbook (published jointly by the Division of Coastal Resources Management ("**CRM**"), the Department of Fish and Wildlife, and the US Coast Guard) has been included in the Group's employee training programme for marine activities.

Management and captains hold a daily pre-operation meeting to evaluate weather data and tidal charts and determine the feasibility of daily activities. Prior to the start of each day's activities, an equipment check is conducted on all machines, including boats, 4-wheel vehicles, and jetovators, to ensure they are in good working order. Additionally, safety equipment checks are carried out to ensure that each boat has the necessary safety equipment, such as spare kill cords, flare guns, whistles, and life vests, available in case of an emergency.

Before the start of each excursion tour, instructors or tour guides provide a safety briefing to ensure that all participants understand and comply with the safety guidelines. To acknowledge the possible risks, legal responsibilities, and insurance indemnities associated with the recreational activities, all participants must sign a liability waiver. Each guest is also given individual protective equipment, such as helmets and life jackets. The guest must wear all protective gears properly and the instructor must inspect it before the activity begins.

All of our tour guides must be accredited by the Marianas Visitors Authority in order to ensure the calibre of our excursion tours. This accreditation verifies that the tour guides have exceptional communication skills, professional knowledge, and a thorough understanding of the historical background of the scenic locations. Additionally, they must always follow all safety standards and procedures and provide a friendly and sincere welcome to all guests. The tour guides must also make sure that customers can participate in the activities and meet the minimal enrolment requirements (such as age, height, and weight).

It is crucial to strive for consistent service quality excellence in the market for destination services that caters to customers. To better understand the feedback and expectations of our customers in relation to the goods and services we supplied, we will send them an evaluation form to fill out after their visit. When receiving complaints, all employees are required to follow the established customer complaint management policy. An inquiry will be conducted to delineate the complaint and discern the causes prior to taking immediate action to resolve the complaint. We will promptly get in touch with the complainant to provide them an update and to resolve the issue up to their satisfaction.

Customer Privacy Protection

It is important for any business to prioritize the protection of their clients' confidential and personal information, particularly in light of increasing internet transactions. To achieve this, the Group has taken steps to implement measures that help prevent customer information from being leaked. These measures include the use of encryption technology, implementing access controls, regular employee training on data protection, and partnering with reputable data security firms to monitor and secure their systems.

Hotels and Resorts

Our hotels and resorts require the personal information of the hotel guests for various purposes such as reservation, check-in, and in-house dining. This includes their identity documents, home address as well as their debit or credit card information. We have established Customer Privacy Policies that comply with the local data privacy laws and regulations in the CNMI and Guam. These policies are accessible to all hotel guests and Internet users on our official websites, and our employees are thoroughly trained on how to handle customer data securely.

To fully understand our customers' preferences and expectations, we must legitimately and fairly collect the categories of information that are outlined in our Customer Privacy Policy. In order to assess the effectiveness of current business strategies, the viability of new business opportunities, and optimize present offers for our target customers, hotel management needs such data and information. Customers might provide their contact details for future correspondence, for instance.

To protect customer information from leakage and misuse, we have implemented a robust information technology security system and continually strive to improve our cyber security measures to meet the Payment Card Industry Data Security Standards. We remind the hotel guests to take appropriate measures, such as activating a firewall and installing security software, when using our complimentary Wi-Fi connection, and we discourage them from transmitting sensitive personal information over the network. If the hotel guests encounter any loss, theft, or unauthorized use of their personal information, they are encouraged to promptly report it to the hotel General Manager for investigation and remedial actions.

Luxury Travel Retail & Destination Services

In the Luxury Travel Retail and Destination Services Segments, employees may come into contact with client personal information, such as personally identifiable data and debit or credit card information. To manage the collection, usage, and storage of this information, the Employee Handbook defines relevant internal procedures. Customer information is used solely to deliver service and marketing communication, and customers may indicate their preferences, similar to the policies and processes outlined in the Hotels and Resorts Segment. Employees are required to adhere to the Company's confidentiality policy and follow their responsibilities as laid out in the Employee Handbook. It is strictly prohibited to transfer or utilize customer information in an unlawful manner.

Marketing Advertisement and Labelling

Hotels and Resorts & Destination Services

To provide our hotel guests with a variety of options and enhance their stay, we have utilized different forms of advertisements to promote the restaurants and travel agency desks located within our hotel premises, offering a broad range of excursion tours and other travel products and services. Additionally, the Group has advertised its luxury travel retail boutiques on television programmes, and magazine within our hotels and resorts premises. We have also promoted the Group's travel products and services through online travel agents and search engines.

As part of our corporate responsibility, we ensure that our marketing provides our customers with truthful information about our products and services. The Group and our Hotel Manager comply with all applicable federal, state, and municipal laws, regulations, and business practices. We ensure that all information, including but not limited to room types, amenities, restaurants, and other featured services, published in our advertisements, brochures, or materials is accurate and unbiased.

Luxury Travel Retail

The franchise and distribution agreements between the Group and the international brands specify the marketing communication and advertising practices of all international brands. The Group must strictly comply with the regulations agreed-upon with the brand owners in several aspects, such as boutique design and promotion campaign organization. Before initiating any promotion events, local advertising strategies must be developed in accordance with established requirements, and prior written approval from the international brands must be obtained. Moreover, all advertising and promotion materials must meet the multinational brands' fashion style requirements.

Protection of intellectual property rights

We acknowledge that branding is a critical intangible asset for companies, and we place great importance to the protection of intellectual property and the management of intellectual property rights. We are committed to adhering to the US laws and regulations of the intellectual property rights, and we maintain our own intellectual property rights while collaborating with our partners in accordance with applicable laws and regulations. We also recognize and respect intellectual property rights of our partners, including our hotel brands for our Hotels and Resorts Segment and international brands for our Luxury Travel Retail Segment. We only use the rights granted to us within the authorized scope as stipulated in the relevant hotel management agreements and corresponding franchise and distribution agreements.

When it comes to marketing and promotion, the Group strictly complies with local laws and regulations, as well as intellectual property guidelines prescribed by the brand owners. We only use authorized promotional materials and information to ensure that the intellectual property rights of others are not infringed upon. By prioritizing intellectual property protection and management, we can safeguard our brand and reputation while fostering strong relationships with our partners and customers.

Business Ethics

The Group believes that reputation is the key to success of a company and adopts a "zero-tolerance" approach against all forms of fraudulent and dishonest activities including bribery, extortion, fraud and money laundering. We strictly comply with all applicable laws and regulations in our operating locations, including but not limited to the Foreign Corrupt Practices Act of the U.S., the United Kingdom Bribery Act, the Prevention of Bribery Ordinance of Hong Kong. During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong, Saipan, Guam and Hawaii. In addition, there was no legal case regarding corrupt practices brought against the Group or our employees in 2022.

Anti-corruption

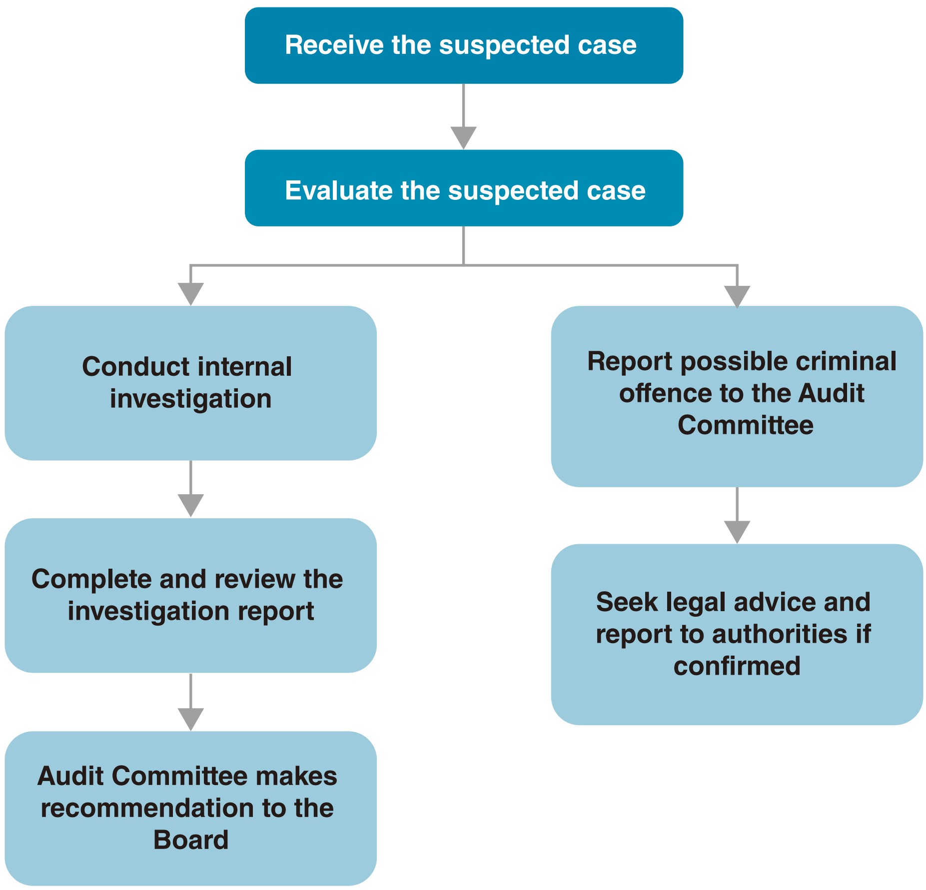
- Fraud Policy
- Anti-corruption Policy
- Gifts, Entertainment & Hospitality Policy
- Working with Third Parties Policy

We formulated a set of policies relating to misconduct and malpractices, which serves as a comprehensive guide for employees' and directors' behavior and responsibilities. In order to ensure our employees are fully aware of the policies, we already stipulated them in the Employee Handbook and distributed to new employees during the employee orientation. All employees are also required to sign the declaration of interest confirmation every year. As stipulated in the policies, bribery, kickbacks and facilitation payments are strictly forbidden, guidelines are also provided to avoid anti-corruption issues and identify the red flags. Employees may not solicit, give or receive gift, entertainment or hospitality from our existing and potential business partners, instead employees should always put the Group's interest at the first priority when carrying out their daily job duties. In addition, we acknowledge that our business partners are an integral part of our business, thus the Third Parties Code of Conduct is established to provide a set of governing principles for ethical behaviors.

In 2022, our staff received a total of 194 hours anti-corruption training.

Whistleblowing System

The Group is devoted to upholding the principles of openness, probity and accountability, dedicated to fostering an open and honest communication environment, and set the highest standards for its business practices. We formulated the Whistleblowing Policy and established clear reporting channels and a systematic investigation mechanism. Employees and third-party are encouraged to raise their concerns about any suspected misconduct, malpractice or improprieties through a confidential reporting channel. Whistleblowers may report to the Company Secretary, the Board, or the Audit Committee through email to a designated email address. In order to prevent jeopardizing the investigation and retaliation against the whistleblowers, it is our responsibility to keep the identity of whistleblowers and case-related information strictly confidential. All cases will be investigated promptly with the assist from the Company Secretary, subject to the nature and complexity of the case, the investigation result is expected to be provided within three months of the report. Disciplinary actions will be taken against violators after the case is confirmed or against any employees filing malicious complaints. The detailed investigation procedures are illustrated in the chart below:



Responsible Procurement

The Group believes that an effective supply chain management is critical in achieving sustainable operations. We are committed to conducting business responsibly and expanding in a manner that respects human rights, has a positive impact on the environment and local communities. To ensure that we work with suppliers who share our commitment, the Group formulated the Supplier Code of Conduct with regard to the environmental and social considerations. All suppliers shall adhere to standards across their own business and their supply chains as well.

1. Comply with all local and international laws and regulations;
2. Forbid the use of child and forced labor, no employees should be below the local legal minimum age of 16 years old in Saipan and Guam;
3. Respect employees' right to voluntary freedom of association;
4. Provide equality of opportunity without discrimination;
5. Provide a safe, secure and healthy working environment to employees;
6. Preserve and protect the environment by implementing business strategies and operation processes which minimize the negative impact to the environment;
7. Consider the development and integration of sustainable technologies in order to reduce the use of energy and water, and reuse/recycle the resources consumed by their business;
8. Implement appropriate mitigations against conflict of interest; and
9. Respect confidential and proprietary information as well as its employee and customer information.

During the Year, we collaborated with 1,442 suppliers from 22 countries/regions, over 87% of them account for the Hotels and Resorts Segment. Details of the supplier distribution are summarized in the table below:

Geographical Region	Number of suppliers
Guam	676
Saipan	529
US	139
Hawaii	29
Hong Kong	19
Australia	8
Japan	8
China	7
Philippines	6
France	4
Singapore	4
Italy	2
South Korea	2
India	1
Malaysia	1
Netherlands	1
Norway	1
Palau	1
Pohnpei	1
Switzerland	1
Thailand	1
United Kingdom	1
Total	1,442

Supplier Selection and Evaluation

The Group adopts a standardized Procurement Manual to provide direction and limits over the procurement and payment management processes. Procedures from preparing requisition and formal purchase order to finalizing purchase agreement are outlined for the relevant procurement personnel to follow. Considering that the Group operates multiple business segments which may vary in their own needs during the procurement process, each subsidiaries can customize their preferences and considerations of the purchase management system. As stipulated in the manual, our procurement team is responsible for the selection and evaluation of suppliers, new suppliers must pass through a stringent selection procedure to be qualified in the supplier database. All potential suppliers are required to provide background information, financial stability proof, previous compliance records on product and service provision, as well as the latest statutory documents such as business license, Taxpayer Identification Number and certification. Suppliers who demonstrated competency, fulfil all legal requirements and align with our value will be qualified into the supplier database for future procurement purposes.

In order to keep track of the suppliers' performance and ensure they are still suitable to the Group, we conduct annual evaluation on the existing suppliers in the supplier database. Including certain measurable KPIs regarding to product and service quality, including but not limited to 1) the number of flawed products returned; 2) the number of wrong products received; 3) the frequency of late delivery; and 4) competitive product price. Suppliers performing below our standard must take prompt improvements, or we have no choice but to terminate the business contract with the suppliers who have repeatedly failed to meet statutory standards as well as the Group's values and requirements. Besides, the Procurement Manual provides guidelines on the entire procurement process.

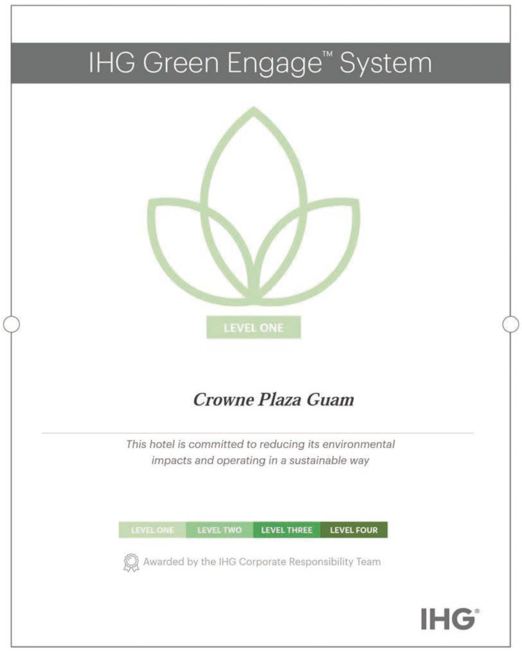
Luxury Travel Retail

For our Luxury Travel Retail Segment, the Group directly places orders to the international brands and/or authorized suppliers licensed by the franchisors. All procurement procedures and boutique operations are restricted by the relevant franchise and distribution agreements as well as our internal procurement policy. To ensure that we are abiding by the terms of the existing franchise and distribution agreements, we conduct regular evaluation on the merchandise offering, background and competitive landscape. Before collaborating with a new franchisor, a legal advisor will be commissioned to analyze the franchise and distribution agreement to identify the potential legal issues. In case we have to obtain the authorization from existing franchisor(s) before collaborating with a new another international brand or the relocation to a new retail space, we will ensure that all necessary consent has been obtained prior to any changes.

ENVIRONMENTAL SUSTAINABILITY

With growing concerns on climate change, pollution, and resource depletion, environmental protection has become a critical issue that requires the attention of all stakeholders. As one of the leading companies in the hospitality and leisure industry, the Group is committed to safeguarding the natural environment and its resources in the regions where we operate. It believes that preserving the healthy and rich biodiversity in Saipan, Guam and Hawaii is crucial for our sustainable development.

In 2022, our Hotels and Resorts Segment took a big step towards sustainability. Crowne Plaza Resort Guam joined the Green Engage System developed by InterContinental Hotels Group ("**IHG**") and was awarded Level One achievement. With support from IHG, Crowne Plaza Resort Guam has established a sustainability team and installed energy-efficient lighting in guest rooms, as well as adopting various best practice solutions to reduce the environmental footprint.



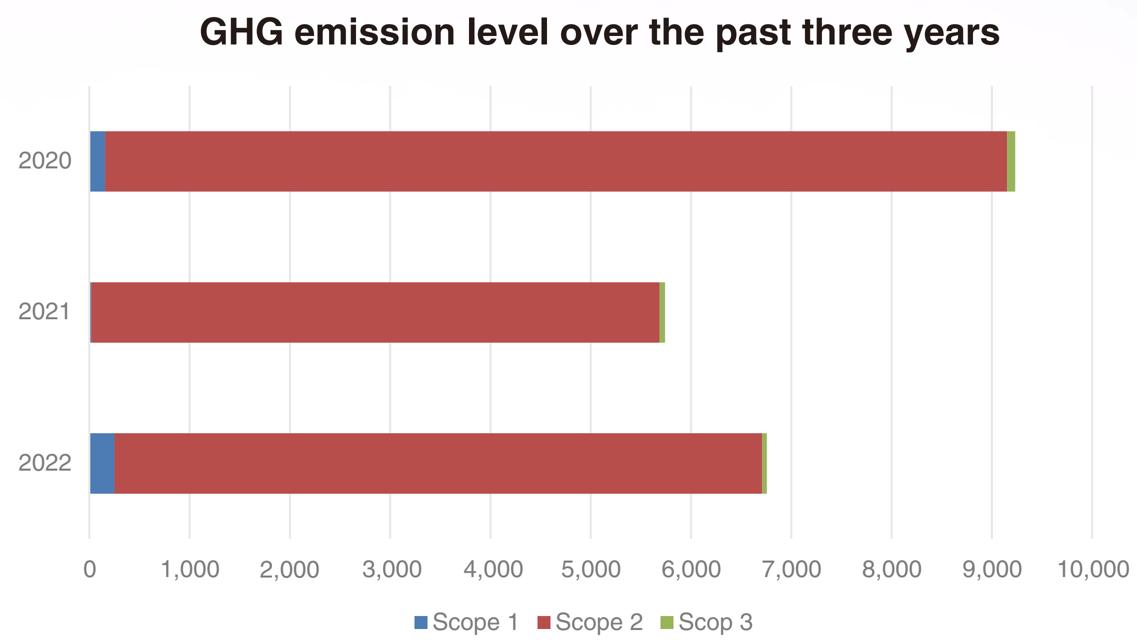
During the Year, the Group was not aware of any material non-compliance with laws and regulations relating to air and greenhouse gas ("**GHG**") emissions, discharges into water and land, generation of waste and use of resources in Hong Kong, Saipan, Guam and Hawaii.

Energy Efficiency and GHG Emissions

The Group is aware of its responsibility to address climate change challenges. As a result, we are dedicated to strengthening our capacity of climate governance, implementing climate change strategies and strive to reduce GHG emissions. We closely monitor our GHG emissions and evaluate the reduction measures on a regular basis. During the Year, the Group generated 6,756.43 tonnes of carbon dioxide equivalent ("**tCO_2e**"), with an intensity of 0.43 tCO2e per USD'000 sales. Looking forward, we aim to reduce the intensity of GHG emissions per revenue by 2030. In 2022, we noticed that the majority of our GHG emissions is contributed by Scope 2 emission, which is the indirect emission from the consumption of purchased electricity. The Group has formulated the Greenhouse Gas Emission Policy to assess and manage its GHG emissions, ensuring the GHG emissions comply with local government emission standards by regular monitor and control.

GHG Emissions	Units	2022	2021	2020
Scope 1[3]	tCO_2e	250.25	17.79	157.44
Scope 2[4]	tCO_2e	6,459.65	5,669.49	8,996.09
Scope 3[5]	tCO_2e	46.53	53.68	79.43
Total GHG emissions	tCO_2e	6,756.43	5,740.96	9,232.96
GHG emissions intensity	tCO_2e per USD'000 sales	0.43	0.29	0.23

3 Scope 1 represents direct GHG emissions generated by fuels for stationary and mobile sources.
4 Scope 2 represents indirect GHG emissions generated by the use of purchased electricity from local power companies.
5 Scope 3 represents other indirect emissions generated by business air travel of employees.



During the Year, a total of 8,108.17 MWh of energy was consumed, with an intensity of 0.51 MWh per USD'000 sales. Similar to our GHG emissions pattern, the largest contributor is the consumption of electricity, following by the fuel combustion of gensets, stoves and vehicles.

Type of Energy	Units	2022	2021	2020
Direct energy consumption	MWh	466.16	68.52	634.89
— Diesel	MWh	140.53	0.46	246.87
— Liquefied petroleum gas ("**LPG**")	MWh	137.72	—	202.00
— Liquefied natural gas ("**LNG**")	MWh	94.37	—	—
— Gasoline	MWh	93.54	68.06	186.02
Indirect energy consumption	MWh	7,642.01	6,574.86	10,807.65
— Purchased electricity	MWh	7,642.01	6,574.86	10,807.65
Total energy consumption	MWh	8,108.17	6,643.38	11,442.54
Total energy consumption intensity	MWh per USD'000 sales	0.51	0.34	0.28

As stipulated in the Greenhouse Gas Emission Policy and the Efficient Use of Energy, Water, and other Raw Materials Policy, we encourage our employees to turn off idle electronic appliances and adopt energy-saving initiatives in their daily routine. Besides, the Group has already implemented a series of energy reduction measures to lower our GHG emissions and carbon footprint. Automatic lighting control system is in place in office area, traditional light bulbs were also replaced with energy-efficient LED bulbs on office floors, which significantly reduce our energy consumption. We aim to reduce the intensity of electricity consumption (per USD'000 sales) by 15% from the 2019 baseline by 2030.

Air Emission

The Group provides a clean environment for our employees and local community. The Air Emission and Quality Policy is formulated to provide guidance on the management of air emission, minimizing the potential impact on the environment. The main sources of air emissions across all of business sectors are vehicle fuel combustion and gaseous fuel consumption from cooking facilities. For our fuel-driven stationary plants, vehicles and equipment, we prioritize the use of fuel with lower emission in an effort to reduce our environmental impact. To control cooking fume emissions, equipment such as grease filters and hydrovents is installed in the kitchens of our hotels and resorts to remove oil grains and odor emitted from the kitchen.

Waste Management

To ensure that our wastes generated are properly managed, we have formulated the Generation of Hazardous and Non-hazardous Wastes Policy. Covering the responsibilities of individuals generating the waste, as well as the handling, storage, preparation for transportation until final disposal. Besides, we have coordinated volunteer activities to clean up the beaches in 2022 to safeguard the marine environment, preventing toxic debris such as plastic bags and bottles from discharging into the ocean and contaminating the water quality.

For the Hotels and Resorts Segment, food waste, waste cooking oil, construction waste and waste paper were the four major categories of waste. Our F&B section generally adopts the reuse approach for the food waste. To this end, we are collaborating with local piggery companies over the years, where our leftover food will be further processed for pig feeding, optimizing the use of resources, and reducing the amount of waste going to landfills. Additionally, our F&B team adopts the "First In, First Out" principle. In order to prevent unnecessary food loss, all food ingredients and products that were purchased first will be consumed first. We will deliver other wastes to the licensed waste collector for further processing, and ensure they have operation permits such as the Used Oil Transporter, or the Collection Aggregation Permit issued by the local authorities.

The hazardous waste generated is mainly composed of e-waste, such as ink cartridge, toner cartridge, fluorescent lamps, computer accessories, and electrical appliances. The hazardous waste is handled by licensed waste collector whenever possible. During the Year, the Group generated a total of 1.54 tonnes of hazardous waste and 248.32 tonnes of non-hazardous waste. We aim to reduce commercial waste intensity (per USD'000 sales) by 20% from 2019 baseline by 2030 (exclusive of construction waste).

Type of Waste	Units	2022	2021	2020
Hazardous waste	tonne	1.54	351.01[6]	0.01
Intensity	tonne per USD'000 sales	0.000098	0.018	0.000001
Non-hazardous waste	tonne	248.32	418.43	910.65
Intensity	tonne per USD'000 sales	0.016	0.027	0.030

6 Hazardous waste figures in 2021 cover the demolished fixtures and renovation materials arose from the renovation and upgrade works of our two hotels under Asia Pacific Hotels, Inc. and Asia Pacific Hotels, Inc. (Guam).

Minimizing Use of Energy and Resources

Minimizing the use of energy and resources is becoming increasingly important in a world where these resources are finite. By using energy and resources more efficiently, the Group strives to reduce carbon footprint and conserve valuable resources for future generations. We have established the Efficient Use of Energy, Water, and Other Raw Materials Policy, which outlines a wide range of strategies for our employees and guests to follow.

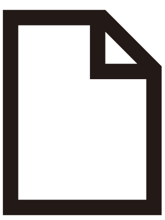
Energy Conservation

- Turn off the lights when not in use and use natural light when possible
- Turn off electronic appliances at the end of every workday
- Upgrade of air-conditioning system from conventional chillers to sustainable and energy efficient variable refrigerant flow (VRF) A/C system
- Install Computerized Building Management System (BMS) for new air conditioning system
- Upgrade guestroom and public area lighting to LED light bulbs and install programmable dimming system
- Install solar lights in the car park
- Activate the power down features (e.g. low power mode) on computers and monitors
- Provide regular maintenance to company vehicles and water activities equipment to optimize engine performance and efficient fuel use
- Switch off engine whenever the vehicle or water activities equipment is stationed

Water-saving

- Install low flow showerheads and faucet aerators in all guestrooms
- Display tent cards in all guestrooms to encourage reuse of towels and linens
- Provide regular check and maintenance on water facilities to prevent leakage
- Make use of pressure washer for daily cleaning of vehicles and water activities equipment at the end of excursion tours

Other materials



- Display signage in guestrooms to encourage reuse of amenities (e.g. toothbrush)
- Replace single use utensils with reusable cutlery and containers when serving F&B to guests
- Provide water bottle for hotel guests and replace the bottled water in the guestroom
- Place paper recycling boxes next to printing facilities to encourage recycling

Invest In Our Planet

In 2022, we participated in the Earth Day on April 22. This day is not only a day where we celebrate the natural beauty of our mother earth, but also a reminder of the urgent need to protect our planet and its natural resources, as well as raising awareness on global climate change. The theme of this year is "Invest in Our Planet", and we believe every small decision we make for the planet earth counts.

The Group is in the tourism industry and protecting mother earth is vital to our sustainable development, as we rely on it to provide memorable experience to our guests. We encourage employee to pledge to reduce their environmental footprint in daily life, take a step forward to protect the planet earth for future generations.

Regarding to our business nature, the packaging materials is attributed by shopping bags used in the Luxury Travel Retail Segment. As stipulated in the branding promotion policy of the franchised brand, the Group is required to follow the procedure and use the required packing materials in all sales activities of the corresponding international brands. Nevertheless, we adhere to the sustainability strategies of the Group and use customized shopping bags provided by the international brands, which are made from recyclable materials.

During the Year, the Group consumed 207,670.00 m^3 of freshwater and 10,445 pieces of packaging material. There was no issue for sourcing water that fit for purpose in 2022. To promote sustainability of water resources, we are committed to reducing water consumption intensity (per USD'000 sales) by 10% from 2019 baseline by 2030. Details of the consumptions are illustrated in the table below:

Use of Resources	Units	2022	2021	2020
Water				
Freshwater consumption	m^3	207,670.00	247,743.37	579,308.00
Intensity	m^3 per USD'000 sales	13.18	12.51	14.20
Wastewater discharge	m^3	186,324.03	247,743.37	346,821.13
Intensity	m^3 per USD'000 sales	11.83	12.51	8.50
Packaging materials				
Paper bag	pieces ("**pcs**")	7,838	53,988	115,388
Canvas bag	pcs	—	—	127
Plastic bag	pcs	2,607	1,404	4,427
Total consumption	pcs	10,445	55,392	119,942
Intensity	pcs per USD'000 sales	0.66	12.13	11.20

Protecting the Environment and Natural Resources

Protecting the environment and natural resources is essential for ensuring a sustainable future for our planet. The Group strives to take lead in minimizing our environmental impact and maintaining the beauty of natural environment in the regions where we operate. In addition to abiding all relevant local environmental laws and regulations, we go further and beyond by taking the following actions.

Marine Protection

The Group acknowledges that the marine ecosystem is a vital part of the planet's biodiversity, supporting a diverse range of plant and animal species and providing essential resources for us. Despite the potential impacts on the marine ecosystem brought on by the operation of our tourism business, we are dedicated to safeguarding the invaluable marine resources.

We carefully adhere to the conditions of the Group's CRM permit, which required us to follow the submitted coral reef monitoring plan, and all our water activities equipment is authorized by the CRM. Our marine activities operators are required to complete a specific training as outlined in the Marine Operator Handbook. This training covers expert knowledge of beach, near-shore, and coral reef ecology as well as guidelines to minimize the impacts of our business operations on marine resources. We also urge our tour guides to educate our guests about environmental protection and to remind them of the principle "Take nothing but photos. Leave nothing but footprints".

Coral Reef Monitoring Plan

- ✓ To launch and operate boats and jet skis only at authorized areas
- ✓ To set a fixed distance between our marine activities and the coral reefs
- ✓ No dropping of anchor in the waters to protect the coral communities from being disrupted, choked and damaged

The Group is aware of the overfishing issue and believes that sustainable seafood is an important solution to it. Our Hotels and Resorts Segment are committed to providing sustainable seafood, Crowne Plaza Resort Guam is our first hotel that achieving the target of only delivering sustainable seafood in the F&B service. We do not purchase reef fish, and only purchase seafood that is caught or farmed in a manner that ensures the long-term health and viability of the species and marine ecosystem,

Water Source Protection

Water scarcity is another growing global issue that affects millions of people around the world, where water pollution is one of the major driving forces. As a result, the Group is committed to implementing a comprehensive wastewater discharge management process. Grease traps are already installed in our wastewater discharge system of the Hotels and Resorts Segment, which filter excess fats and oils and prevent them from being flushed into the municipal drainage. The grease waste collected will be delivered to licensed waste collectors for further handling. We also conduct monthly inspection and maintenance to guarantee the performance of our equipment. Water conservation strategies are also adopted in our daily business operations, including the implementation of water-saving shower head from our guestroom as part of the asset rejuvenation plan. Signages are also placed inside the room to encourage hotel guests to reuse towels and bed linens whenever possible.

Additionally, the Group has implemented a stringent policy to govern the use, storage and disposal of hazardous materials, which is covered and explained to all employees during orientation programme and regular safety training. It is strictly forbidden for employees to pour any chemicals or dangerous materials into the drainage system. Chemicals should be stored in designated areas in sealed, labelled containers to avoid leaks and water source pollution.

Climate Resilience

Climate change is one of the most pressing global challenges of our time. The increase in severity and frequency of extreme weather occurrences are adversely affecting our business operations. As the tourism industry is particularly vulnerable to climate change due to its dependence on natural resources, such as beaches, forests, and wildlife. Climate change can affect the availability of these resources. We are committed to promoting sustainable growth and environmental protection, a policy on climate-related issues is formulated which lays out ESG principles and requirements that are in the best interests of the Group's long-term growth.

Physical Risk	
Risk identified	Acute • Stronger tropical storms and typhoons Storms and typhoons are becoming more frequent and severe, potentially causing damage to properties and equipment, disturbing the business operations and raising the maintenance costs of the properties and public infrastructure. Chronic • Increase in temperature The rise in the water temperature of the ocean causes sea levels to rise through thermal expansion. The distribution of many marine species is to shift due to their dependence on specific water temperatures and nutrient availability such as the corals under the sea for survival. Besides, the changes in the circulation patterns of deep ocean currents that transport warm and cold water around the globe was also affected, which may have adverse impact on the Group's business operations. • Threats to natural areas and infrastructure from sea level rise The increasing sea level globally is projected to exacerbate high tide and wave flooding, storm surge, and coastal erosion, all of which are expected to become ruinous. Long-term sea level rise may force coastal operations to move inland. • Risks to fresh water Alongside climate change, irresponsible human activities threaten the continuing viability of many ecosystems. The increasing global exploitation of water resources across the world has led to the increasing risk in water scarcity. Ultimately, the Group may suffer from absolute water shortages and adversely affect the Group's operations. • Coral reefs bleaching and loss Coral reefs and ocean ecosystems contribute hundreds of millions of dollars to the CNMI and Guam economies each year, as well as providing natural flood and storm protection. Tropical typhoons and flooding could result in damages to the community infrastructures of the islands, reducing the number of tourists visiting Saipan and Guam, and hence negatively impact the Group's revenue.
Mitigation measures	• Improving typhoon, tsunami, rainstorm, flood, and other sudden natural disasters protection facilities. • Developing emergency response plans and continually improve natural disaster response mechanisms. • Increasing insurance coverage, as needed, to cover personal injuries and property damage caused by various disasters and accidents. • Providing staff with training and change-related information on how to deal with extreme weather events, as well as disaster preparedness and emergency drills on a regular basis. • Procuring energy-efficient equipment.

Transition Risk	
Risk identified	• Policy and legal The Saipan and Guam governments may implement more stringent climate policies (such as the implementation of carbon-pricing mechanisms, pricing of GHG emissions, the shift of energy use towards renewable energy, acceleration of energy transition requirements) to be in line with the U.S. Mainland for achieving all the sustainability targets. This may increase the cost of operations and thus reduce the business' profitability. • Technology With the emergence of new technologies (such as renewable energy, energy efficiency), the Group may have to keep up with the latest technologies to meet higher standards of energy efficiency. This may increase the Group's cost of capital expenditure. • Market changes The shift in market preference (such as consumer preference, demand and supply) may lead to a change in the customers' choice of goods and services. This may increase in the operation cost as well as the business strategies. Lagging from peers in capturing the shift in market preference may lead to a loss of revenue and market share.
Mitigation measures	• Closely monitoring and responding to changes in environmental laws, regulations, and policies. • Innovating and exploring ways to improve energy efficiency and reduce the emission of GHG from normal business operations, as well as minimizing the production of wastes. • Improving management transparency, paying close attention to and responding to stakeholder concerns. • Researching, formulating and continuously improving plans of carbon emission objectives for the medium to long term.

COMMUNITY PARTICIPATION

Volunteering:
594 Hours

The Group has always recognized the importance of supporting the communities in which we operate. We believe that it is our duty to actively engage with local community and contribute to society, rather than simply taking from the community. As we continue to grow our business, we remain committed to improving the quality of life for residents in these areas. Through our positive impact on local markets and business networks, we strive to play a beneficial role in the community and build strong relationships with our stakeholders. Our goal is to create a sustainable future for everyone, while also driving business success.

During the Year, the Group donated a total of US$11,000 to several organizations, including Red Cross, Women's Fund of Hawaii, and Karidat Social Services, supporting the local community and human rights. We also devoted 594 volunteering hours with the focus on environmental protection and community wellness.

Environmental Protection

We hold a deep respect for nature and appreciate the benefits it provides. As a result, we have taken initiative to organize volunteer events aimed at restoring and cleaning up the environment. Going forward, our goal is to raise the public awareness on sustainability. The Group has organized monthly beach clean-ups to demonstrate our commitment to environmental sustainability. We believe that it will not only benefit the environment but also have a positive impact on the economy, and we hope to inspire others to join us in protecting the environment for future generations.

Community Wellness

The Group recognizes that the health and well-being of individuals is closely tied to the health of the community as a whole. We actively encourage our employees to participate in local activities such as Half Marathon and Saipan Marathon, as well as organizing food giving to Karidat Social Services and residents in need. By engaging in various community initiatives, we aim to build a strong foundation of enthusiastic support that will help us to achieve our goal while promoting the health and well-being of our employees and the local residents.

HKEx ESG REPORTING GUIDE INDEX

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect A Environmental		
A1 Emission	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Note: Air emissions include NO_x, SO_x, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Environmental Sustainability
KPI A1.1	The types of emissions and respective emissions data.	Environmental Sustainability — Air Emission Air emission figures from gaseous fuel consumption and vehicles were not available. The amount of air emissions is not significant and material to the Group.
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability — Energy Efficiency and GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability — Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environmental Sustainability — Energy Efficiency and GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Sustainability — Waste Management

HKEx ESG Reporting Guide General Disclosures & KPIs		*Explanation/Reference Section*
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Environmental Sustainability — Energy Efficiency and GHG Emissions, Minimizing Use of Energy and Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability — Energy Efficiency and GHG Emissions
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Sustainability — Minimizing Use of Energy and Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Sustainability — Energy Efficiency and GHG Emissions, Minimizing Use of Energy and Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Sustainability — Protecting the Environment and Natural Resources
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Environmental Sustainability — Minimizing Use of Energy and Resources
A3 The Environment and Natural Resources	Policies on Minimizing the issuer's significant impact on the environment and natural resources.	Environmental Sustainability — Protecting the Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Sustainability — Protecting the Environment and Natural Resources
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Sustainability — Climate Resilience
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Sustainability — Climate Resilience

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
Aspect B Social		
B1 Employment	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Care for Our Employees — Equal and Diversified Workplace, Employment Practices
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Care for Our Employees — Equal and Diversified Workplace
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Care for Our Employees — Equal and Diversified Workplace
B2 Health and Safety	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impacts on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Care for Our Employees — Safe and Healthy Workplace
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Care for Our Employees — Safe and Healthy Workplace
KPI B2.2	Lost days due to work injury.	Care for Our Employees — Safe and Healthy Workplace
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Care for Our Employees — Safe and Healthy Workplace
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Care for Our Employees — Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Care for Our Employees — Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Care for Our Employees — Training and Development

HKEx ESG Reporting Guide General Disclosures & KPIs		*Explanation/Reference Section*
B4 Labor Standard	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Care for Our Employees — Employment Practices
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Care for Our Employees — Employment Practices
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Not applicable
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Service and Product Responsibility — Responsible Procurement
KPI B5.1	Number of suppliers by geographical region.	Service and Product Responsibility — Responsible Procurement
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Service and Product Responsibility — Responsible Procurement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Service and Product Responsibility — Responsible Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Service and Product Responsibility — Responsible Procurement
B6 Product Responsibility	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service and Product Responsibility — Service Excellence, Customer Privacy Protection, Marketing Advertisement and Labelling
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Service and Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Service and Product Responsibility

HKEx ESG Reporting Guide General Disclosures & KPIs		Explanation/Reference Section
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Service and Product Responsibility-Protection of Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Service and Product Responsibility — Service Excellence
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Service and Product Responsibility-Customer Privacy Protection
B7 Anti-corruption	Information on: (c) the policies; and (d) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Service and Product Responsibility — Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Service and Product Responsibility — Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Service and Product Responsibility — Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Service and Product Responsibility — Business Ethics
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Participation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Participation
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Participation

CORPORATE GOVERNANCE PRACTICES

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of Shareholders, taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior, and protecting the long-term sustainability of the Group as a whole.

The Shares of the Company have been listed on the Stock Exchange on the Listing Date. Since the Listing Date, the Company has adopted the principles in the CG Code as set out in Appendix 14 to the Listing Rules as its code of corporate governance.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries of all directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

Board responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The Board acknowledges its responsibility for the management of the Group and to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the Shareholders. The Board is also responsible for convening general meetings, implementing the resolutions passed at the general meetings, determining the business and investment plans of the Group, formulating the annual financial budget and financial statements of the Group, and formulating the proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by the Company's Articles. The Board has established Board Committees (as defined below) and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board Committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place.

The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Composition

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors (including the Chairman of the Board) and three independent non-executive Directors, as follows:

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

Mr. CHAN Leung Choi Albert
Mr. MA Andrew Chiu Cheung
Mr. WONG Chun Tat, *JP*

The biographical details of the Directors are set out in the section headed "Management Executives" on pages 21 to 24 of this annual report. Save as disclosed in the said section, there is no family, financial or business relationship among the Directors.

During the Year, the Group has been informed that Professor Chan Pak Woon David, former independent non-executive Director, former chairman of the nomination committee and former member of the audit committee and the remuneration committee of the Company, sadly passed away on November 9, 2022. On December 16, 2022, the Board has appointed Mr. Wong Chun Tat as an independent non-executive Director, the chairman of the nomination committee and member of the audit committee and the remuneration committee of the Company. The biographical details of Mr. Wong is set out in the section headed "Management Executives" on pages 21 to 24 of this annual report.

Throughout the Year, independent non-executive Directors constitute one-third of the Board, which is in compliance with the requirement under Rule 3.10(A) of the Listing Rules. Hence, there is a strong independence element in the composition of the Board. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group, and at least one of the independent non-executive Directors has appropriate professional qualifications of accounting or related financial management expertise.

The list of Directors has been published on the website of the Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the Year and up to the date of this annual report, an appropriate and adequate directors' and officers' liability insurance is in place to protect all the Directors from legal action arising from the performance of their duties as a Director. Such insurance coverage will be reviewed and renewed on an annual basis. As of the date of this annual report, no claims under the insurance policy has been made.

Independent non-executive Directors

The roles of the independent non-executive Directors include the following:

(i) provision of independent judgement at Board meetings;

(ii) take the lead where potential conflicts of interest arise;

(iii) serve on committees if invited; and

(iv) scrutinize the performance of the Group as necessary.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board Committees, all independent non-executive Directors will continue to make various contributions to the Company.

The independent non-executive Directors and their immediate family receive no payment from the Company or its subsidiaries (except the director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the AGM of the Company in accordance with the provisions of the Articles. Each independent non-executive Director has provided a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the other Directors. During the Year and up to the date of this annual report, the Chairman held two meetings with the independent non-executive Directors on March 21, 2022 and March 23, 2023, respectively without the presence of any other Directors. Going forward, the Chairman will continue to ensure compliance with this code provision.

Directors' induction and continuing professional development

During the Year, each Director has received training on the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements.

Directors are committed to comply with the continuous professional development requirement under provision A.6.5 of the CG Code so as to develop and refresh their knowledge and skills and ensure that their contribution to the Board will be informed and relevant.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. During the Year, the Company shared with the Directors certain continuous professional development courses relating to their duties as directors of a listed corporation, the Listing Rules, corporate governance practices and other relevant legal and regulatory requirements so that they can continuously acquire relevant knowledge and skills.

A summary of training received by each Director during the Year is set out below:

Board Members	Type of training
Executive Directors	
Dr. TAN Henry, BBS, JP *(Vice Chairman and Chief Executive Officer)*	A, B
Mr. CHIU George	A, B
Mrs. SU TAN Jennifer Sze Tink	A, B
Mr. SCHWEIZER Jeffrey William	A, B
Non-Executive Directors	
Dr. TAN Siu Lin, SBS *(Chairman)*	A, B
Mr. TAN Willie	A, B
Independent Non-Executive Directors	
Mr. CHAN Leung Choi Albert	A, B
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*	A, B
Mr. MA Andrew Chiu Cheung	A, B
Mr. WONG Chun Tat, JP *(Appointed on December 16, 2022)*	A, B

A: attending external seminars/conferences/workshops/forums/webinars

B: reading newspapers/journals and updates relevant to their profession, business, corporate governance and director's duties and responsibilities

Meeting of the Board and the Directors' attendance record

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. During the Year, four Board meetings were held with full attendance (save and except for the late Professor Chan who passed away during the Year), details of which are presented below:

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		
Dr. TAN Henry, BBS, JP *(Vice Chairman and Chief Executive Officer)*	4/4	100%
Mr. CHIU George	4/4	100%
Mrs. SU TAN Jennifer Sze Tink	4/4	100%
Mr. SCHWEIZER Jeffrey William	4/4	100%
Non-Executive Directors		
Dr. TAN Siu Lin, SBS *(Chairman)*	4/4	100%
Mr. TAN Willie	4/4	100%
Independent Non-Executive Directors		
Mr. CHAN Leung Choi Albert	4/4	100%
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*	3/4	75%
Mr. MA Andrew Chiu Cheung	4/4	100%
Mr. WONG Chun Tat, JP *(Appointed on December 16, 2022)*	0/4	0%

Apart from Board meetings, consent/approval from the Board had also been obtained by written resolutions on a number of matters.

During the Year, an AGM of the Company was held on June 2, 2022 for the year ended December 31, 2021.

Board Members	**AGM Attended/Held**	**Attendance Rate**
Executive Directors		
Dr. TAN Henry, *BBS, JP* *(Vice Chairman and Chief Executive Officer)*	1/1	100%
Mr. CHIU George	1/1	100%
Mrs. SU TAN Jennifer Sze Tink	1/1	100%
Mr. SCHWEIZER Jeffrey William	1/1	100%
Non-Executive Directors		
Dr. TAN Siu Lin, *SBS* *(Chairman)*	1/1	100%
Mr. TAN Willie	1/1	100%
Independent Non-Executive Directors		
Mr. CHAN Leung Choi Albert	1/1	100%
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*	1/1	100%
Mr. MA Andrew Chiu Cheung	1/1	100%
Mr. WONG Chun Tat, *JP* *(Appointed on December 16, 2022)*	0/1	0%

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The management has the obligation to supply the Board and the Board Committees with adequate information in a timely manner to enable the members to make informed decisions. The notice of a Board meeting is generally released at least 14 days in advance, while the finalized agenda and relevant materials are released no less than 3 days in advance.

The Company Secretary is responsible for taking minutes of the Board meetings. Draft and final minutes are sent to all Directors for comments within a reasonable time. All board papers and minutes are also made available for inspection by the Board and the Board Committees. A final draft of each minutes of meetings is made available for inspection by Directors.

The Company's Articles provide that a Board meeting shall be held (instead of passing a resolution in writing) in cases where a substantial shareholder or Director has a material conflict of interest in a matter. In the relevant Board meeting, the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the requirement of the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year and as of the date of this annual report, Dr. Tan Siu Lin is the Chairman of the Board and his son Dr. Tan Henry is the Chief Executive Officer (the "**CEO**") of the company. The Chairman's role is to provide leadership to and oversee the functioning of the Board to ensure that the Board acts in the best interests of the Group. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters raised by other Directors for inclusion in the agenda. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive reliable, adequate and complete information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The CEO is in charge of the Company's operations and day-to-day management. The CEO is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

Ms. Cheung Pik Shan Bonnie was appointed as the Company Secretary of the Company on April 9, 2019. The Company Secretary's biography is set out in the section headed "Management Executives" on pages 21 to 24 of this annual report. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (collectively, "**Board Committees**") in accordance with the CG Code and these Board Committees are mainly composed of independent non-executive Directors. Each of these Board Committees has specific written terms of reference which are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties, including access to the management and/or independent professional advice if considered necessary.

AUDIT COMMITTEE

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

The Audit Committee comprised three independent non-executive Directors, namely Mr. Ma Andrew Chiu Cheung, Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David (until the date of his passing). On December 16, 2022, Mr. Wong Chun Tat was appointed to fill the causal vacancy as an independent non-executive director and a new member of the Audit Committee. The Audit Committee is chaired by Mr. Ma Andrew Chiu Cheung. None of the members of the Audit Committee is a former partner of the external auditor. The Audit Committee must meet not less than two times a year with the Company's external auditor and meetings shall be held at such other times on an ad hoc/as-needed basis. It meets with the external auditor and the management of the Group to ensure that the audit findings are addressed properly. The Audit Committee has access to independent professional advice at the Company's expense if considered necessary. During the Year, we have engaged BDO Financial Service Limited ("**BDO**") to provide internal auditing service.

The principal responsibilities of the Audit Committee include the following:

(i) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, to monitor the external auditor's independence and objectivity, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor;

(ii) to review and monitor the integrity of the Company's financial statements and reports and consider any significant or unusual items raised by the external auditor or qualified accountant before submission to the Board;

(iii) to review the effectiveness and adequacy of the Company's financial reporting system, internal control systems and associated procedures, risk management and corporate governance matters; and

(iv) to review the adequacy of resources, qualifications, experience, training programs and budget of the staff of the Group's financial reporting and accounting and internal audit functions.

The Audit Committee held five meetings during the Year to review and adopt the internal audit plan proposed by BDO, to review the Group's financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, other corporate governance matters and the appointment of the external auditor. The Audit Committee recommended to the Board that, subject to the Shareholders' approval at the forthcoming AGM of the Company, Messrs. Ernst & Young ("**EY**") be reappointed as the external auditor of the Group for the financial year ending December 31, 2023.

The attendance record of the five Audit Committee meetings during the Year is presented below:

Audit Committee Members	**Meeting Attended/Held**
Independent Non-Executive Directors	
Mr. MA Andrew Chiu Cheung *(Chairman)*	5/5
Mr. CHAN Leung Choi Albert	5/5
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*	5/5
Mr. WONG Chun Tat *(Appointed on December 16, 2022)*	0/5

REMUNERATION COMMITTEE

The Remuneration Committee was established on the Listing Date with terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include recommending to the Board the remuneration policy and structure of all the Directors and the senior management and evaluating their performance in order to make recommendations on the individual remuneration package of each of the Directors and senior management. In addition, the Remuneration Committee provides effective supervision and administration of the Company's share option scheme.

The Remuneration Committee comprised two independent non-executive Directors, namely Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David (until the date of his passing), and an executive Director, Dr. Tan Henry. On December 16, 2022, Mr. Wong Chun Tat was appointed to fill the causal vacancy as an independent non-executive director and a new member of the Remuneration Committee. The Remuneration Committee is chaired by Mr. Chan Leung Choi Albert.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle. The chairman of the Remuneration Committee is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Remuneration Committee held one meeting during the Year to review and recommend to the Board the remuneration policy and structure of all Directors and the senior management. The Remuneration Committee also considered and passed resolutions regarding the remuneration of Mr. Wong, the new independent non-executive Director, before his appointment during the Year.

The attendance record of the one Remuneration Committee meeting during the Year is presented below:

Remuneration Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Mr. CHAN Leung Choi Albert *(Chairman)*	1/1
Prof. CHAN Pak Woon David *(Deceased on November 9, 2022)*	1/1
Mr. WONG Chun Tat *(Appointed on December 16, 2022)*	0/1
Executive Director	
Dr. TAN Henry	1/1

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain legal or other independent professional advice at the cost of the Company if it considered necessary.

Pursuant to code provision B.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of Directors and five highest paid individuals disclosed in notes 10(a) and 11 to the consolidated financial statements pursuant to Appendix 16 to the Listing Rules) paid by the Group by band for the Year is set out below:

Emolument band	Number of Individuals
US$192,308 to US$256,410 (equivalent to HK$1,500,001 to HK$2,000,000)	1
US$64,103 to US$128,205 (equivalent to HK$500,001 to HK$1,000,000)	1

During the Year, total Directors' remuneration amounted to approximately US$881,000 (2021: US$894,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 10(a) to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on the Listing Date with written terms of reference in compliance with the requirements of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify suitably qualified candidates to become members of the Board, develop the Board Diversity Policy (as defined below), assess the independence of independent non-executive Directors, and make recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee comprised two independent non-executive Directors, namely Prof. Chan Pak Woon David (until the date of his passing) and Mr. Chan Leung Choi Albert, and an executive Director, Dr. Tan Henry. On December 16, 2022, Mr. Wong Chun Tat was appointed to fill the causal vacancy as an independent non-executive director and a new member of the Nomination Committee. The Nomination Committee was chaired by Prof. Chan Pak Woon David (until the date of his passing). On December 16, 2022, Mr. Wong Chun Tat was appointed as the new chairman of the Nomination Committee.

A meeting of the Nomination Committee is required to be held at least once a year. The Nomination Committee held one meeting during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and consider each retiring Director. The Nomination Committee also considered the appointment of Mr. Wong as an independent non-executive Director with reference to the Nomination Policy of the Company, and recommended him to the Board for consideration and approval.

The attendance record of the one Nomination Committee meeting during the Year is presented below:

Nomination Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Prof. CHAN Pak Woon David *(Former chairman) (Deceased on November 9, 2022)*	1/1
Mr. WONG Chun Tat *(Chairman) (Appointed on December 16, 2022)*	0/1
Mr. CHAN Leung Choi Albert	1/1
Executive Director	
Dr. TAN Henry	1/1

Board Diversity Policy

The Board has adopted a policy on board diversity ("**Board Diversity Policy**") with effect from the Listing Date which sets out the Company's approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board as it promotes board effectiveness and enables better decisions to be made. A truly diverse Board will include and make good use of differences in the qualifications, skills, experience, gender, age, cultural and education background and other qualities of the Directors.

Under the Board Diversity Policy, diversity will be considered from all relevant aspects when determining the optimum structure, size and composition of the Board. The Board may consider other factors as appropriate from time to time, taking into account the Company's business model and specific needs. All Board appointments are ultimately made on merit and contribution that the potential candidates will bring to the Board, having due regard for the benefits of diversity and the specific needs of the Company, without focusing on a single diversity aspect.

As at 31 December 2022, we maintained a 193:179 ratio of women to men in our workforce. As regards gender diversity of the Board and senior management, we have one female Director and eight male Directors, and one out of two members of our senior management is female.

The Board is satisfied that the Group has achieved its measurable objectives in terms of Board diversity during the Year with (i) at least one female Director being female; (ii) at least one third of the Board being independent non-executive Directors; (iii) at least one Director has accounting or other professional qualifications; and (iv) at least one Director is under the age of 50.

Our Group is determined to continue to maintain diversity (including gender diversity) and equality in respect of its workforce.

Nomination Policy

Under the director nomination policy ("**Nomination Policy**") adopted by the Board with effect from the Listing Date, when assessing and selecting candidates for directorships, the Nomination Committee will consider the following factors:

(i) whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;

(ii) the individual's character and reputation for integrity;

(iii) whether the individual would be able to devote sufficient time to the Board;

(iv) (in respect of appointment and reappointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;

(v) how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy; and

(vi) Board succession planning considerations.

Nevertheless, the ultimate responsibility for the selection and appointment of Directors rests with the entire Board.

Nomination Procedures

On March 23, 2020, the Nomination Committee adopted the following nomination procedures for the appointment and reappointment of Directors.

Appointment of Directors

(i) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate;

(ii) The Nomination Committee may use any process it deems appropriate to evaluate the candidate(s), which may include personal interviews, background checks, presentations or written submissions by the candidate(s) and third party references;

(iii) The Nomination Committee makes recommendation(s) to the Board;

(iv) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;

(v) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by Shareholders at the next AGM after initial appointment in accordance with the Company's Articles; and

(vi) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Re-appointment of Directors

(i) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines, and assesses the independence of each retiring independent non-executive Director;

(ii) The Nomination Committee makes recommendation(s) to the Board;

(iii) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;

(iv) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's Articles; and

(v) The Shareholders approve the re-election of Directors at the annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions including:

(i) to develop and review the Company's policies, procedures and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review the effectiveness of the risk management and internal control system on an ongoing basis and to remedy material internal control weaknesses;

(iv) to review and monitor the Company's policies, procedures and practices on compliance with legal and regulatory requirements;

(v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;

(vi) to review the adequacy of resources, staff competency, training programs and budget of the Company's accounting, internal audit and financial reporting functions; and

(vii) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board's annual review of the Company's corporate governance practices for the Year has covered the aforesaid matters. This corporate governance report has been reviewed by the Board in fulfillment of its corporate governance responsibilities.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibility in publishing financial statements for each financial period which give a true and fair view of the state of affairs of the Group and a clear and accurate assessment of the results and cash flows for that period. The Auditor's statement regarding its reporting responsibilities in respect of the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 99 to 103 of this annual report.

In preparing financial statements for the year ended December 31, 2022, the Directors have (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared financial statements on a going concern basis. The Directors noted that the Auditor has indicated some material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. During the Year, the Group incurred a net loss of approximately US$11,494,000. As at December 31, 2022, the Group's current liabilities exceeded its current assets by approximately US$46,553,000. Included in the Group's 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 our cash and cash equivalents amounted to approximately US$3,451,000. On the other hand, the Group had capital commitments of approximately US$4,290,000 as at December 31, 2022 in relation to the ongoing renovation and upgrade works of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan, which is expected to be financed by internal resources in the coming twelve months from December 31, 2022. The Auditor is of the view that these conditions, along with other matters as set out in note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Auditor's opinion is not modified in respect of this matter.

Save as aforesaid and as disclosed under the section headed "Going concern" in note 2.1 to the consolidated financial statements, the Board, having made all reasonable enquiries, is not aware of any material uncertainties relating to any events or conditions that may cause significant doubt upon the Company's ability to continue as a going concern.

The Board, taking into account (i) the banking facilities totaling US$48,000,000 is currently fully secured by the Group's hotel assets with ample security coverage; (ii) the reopening of the Group's hotels in Guam and Saipan and the anticipated cash flows to be generated from the Group's operations; and (iii) the fact that the Group has obtained shareholder loans facility of US$13,000,000 and US$8,000,000 respectively during and after the year ended December 31, 2022 and a commitment of financial support from Tan Holdings, and Tan Holdings has further 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 certain plans and measures, consider that (i) it is unlikely that the bank will withdraw its banking facility or demand immediate repayment in full amount of the outstanding banking facilities; and (ii) the Group will have sufficient working capital to meet its financial obligations and capital commitments as and when they fall due for the foreseeable future and hence decided that it is appropriate to prepare the consolidated financial statements on a going concern basis. For details of the plans and measures taken by the Directors, please refer to note 2.1 to the consolidated financial statements.

In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the "Chairman's Statement" and the "Management Discussion and Analysis" sections on pages 6 to 9 and pages 10 to 20 respectively.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for the systems of risk management and internal controls of the Company and for reviewing their effectiveness through the Audit Committee at least annually. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented effective and adequate risk management and internal controls systems to safeguard the interests of the Shareholders and the Group's assets.

The internal control procedures of the Group feature a comprehensive budgeting and financial/management reporting system to facilitate the management's ongoing review and oversight. Business strategic plans and budgets are prepared on an annual basis by the management of individual business and subject to review and approval by the Board. During the budget setting process, the likelihood and potential financial impact of fundamental business risks have been identified, evaluated and reported by the management. Specific procedures and guidelines have been established for management approval and control of capital expenditures, mergers and acquisitions, unbudgeted items, operating expenses and other matters.

The executive Directors review the monthly management reports of major business units and the financial results and hold periodic meetings with senior finance and operational management teams to review and discuss the business performance against budget, market outlooks and to address deficiencies of any key issues on a timely basis.

The Group has adopted a principle of minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk are set out in note 34 to the consolidated financial statements on pages 164 to 167 of this annual report.

All major operations are governed by its standard operating procedures with authorization matrix and supplemented by written policies and procedures tailored to the respective business units and support functions. These policies and procedures are aimed to provide guidelines on key risk management and control standards for our global operations and are updated on a regular and timely basis.

The Group has engaged BDO to provide internal auditing service (the "**Internal Audit**") for the Year. BDO is an independent internal audit services provider approved and adopted by the Audit Committee. BDO acts as a significant independent resource in assisting the Audit Committee in achieving good corporate governance and exercising its oversight responsibility to ensure the effectiveness of the Group's internal control system and performing evaluation of the adequacy of the controls established to safeguard Shareholders' investment and the Group's assets on an ongoing basis. BDO has a direct reporting line to the Audit Committee.

BDO independently reviews compliance with the Group's policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness.

The Internal Audit plan is risk-based and covers the Group's significant operations over a cycle and recurring basis. The Internal Audit plan is reviewed and endorsed by the Audit Committee. Representatives from BDO attend meetings of the Audit Committee held during the Year to report its progress in achieving the Internal Audit plan. The scope of the Internal Audit covers significant controls including financial, operational and compliance controls and risk management policies and procedures. Major findings and recommendations including the implementation status of agreed recommendations are reported at the Audit Committee meetings. In respect of the Year, no major issues but areas of improvement have been identified. The Directors and the Audit Committee considered that the major areas of the internal control systems of the Group are reasonably effective and adequately implemented.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for the Year, management teams of business units also conducted an internal control self-assessment of business operations and relevant accounting functions and considered that sound risk management and internal control practices were in place for the Year.

The Auditor performed independent statutory audits of the Group's consolidated financial statements. The Auditor also reported to the Audit Committee that there is no significant weaknesses in our internal control which come to notice during the course of the audit.

The Group has adopted a code of business ethics which requires all Directors and employees to comply with a set of high ethical standards in conducting the business. The Company has also adopted the inside information policy setting out the guidelines for handling and dissemination of inside information to the Directors and employees of the Group in accordance with the applicable laws and regulations.

Up to the date of approval of this annual report, based on the respective assessments made by management and BDO, and also taking into account the results of the audit conducted by the Auditor, the Audit Committee and the Directors considered that:

(i) The risk management, internal control and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

(ii) The risk management and internal controls systems of the Group have been implemented with room for improvement and BDO has actively conducted follow-up audit for any improvements which were identified; and

(iii) There is a reasonably effective and adequate on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

External Auditor

The Auditor has been appointed as the external auditor of the Company for the Year. The consolidated financial statements for the Year have been audited by the Auditor. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by the Auditor and considered that such services have no adverse effect on the independence of the Auditor.

In the preceding three financial years, Messrs. PricewaterhouseCoopers has retired as the external auditor of the Company upon expiration of its term of office at the conclusion of the 2022 AGM held on June 2, 2022. At the aforesaid AGM, the Shareholders of the company approved to appoint Messrs. Ernst & Young as the new external auditor of the Company for the financial year ended December 31, 2022.

During the Year, remuneration of approximately US$220,000 was paid/payable to the Auditor for the provision of audit services. In addition, approximately US$53,000 was paid/payable to the Auditor for other non-audit services.

SHAREHOLDERS' RIGHTS

A summary of certain rights of the Shareholders is set out below:

Procedures for putting forward proposals at Shareholders' meetings

Shareholders who wish to make proposals or move a resolution may convene an EGM in accordance with the "Procedures for Shareholders to convene an Extraordinary General Meeting" set out below.

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any one or more Shareholders holding (at the date of deposit of the requisition) not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene a physical meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any written requisition to convene an EGM must state the objects of the EGM and must be signed by the requisitionist(s) concerned and deposited at the registered office of the Company (presently at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong) marked for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionist(s) concerned.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to the Directors or management of the Company in writing through the Company Secretary of the Company whose contact details are as follow:

S.A.I. Leisure Group Company Limited
5th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Email: ir@saileisuregroup.com

The Company Secretary will forward the Shareholders' enquiries, comments and suggestions to the Board and/or the relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, who has been appointed by the Company to deal with Shareholders for share registration and related matters.

Procedures for Shareholders to propose a person for election as a Director

With effect from the Listing Date, the Company adopted a formal, considered and transparent procedure for Shareholders to propose a person for election as a Director. The following procedures are subject to the Company's Articles, the Companies Law of the Cayman Islands and applicable legislation and regulation:

(i) If a Shareholder, who is entitled to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person (other than himself/herself) for election as a Director at that meeting, he/she may lodge a written notice with the Company Secretary of the Company at 5/F, Nanyang Plaza, 57 Hung To Road, Kowloon, Hong Kong.

(ii) In order for the Company to inform all Shareholders of that proposal, the written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the Shareholder concerned and the person who has been proposed indicating his/her willingness to be elected.

(iii) The period for lodgement of the above notice shall be a seven-day period commencing on a day after the despatch of the notice of the general meeting appointed for such election of Director(s). If the Directors should determine and notify the Shareholders of a different period for lodgement of the above notice, such period shall in any event be a period of not less than seven days, commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting.

(iv) Upon receipt of the above notice from a Shareholder which is received after publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars of the proposed Director pursuant to Rule 13.51(2) of the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director at the forthcoming AGM, please refer to the notice of the AGM to be published for further information on the relevant nomination period.

DIVIDEND POLICY

The Company intends to maintain a balance between rewarding the Shareholders and retaining adequate capital for development and operation of the Company's business. The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the Shareholders. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

According to the Dividend Policy, in deciding whether to declare or recommend a dividend, the Board shall consider the following factors:

(i) the general financial condition of the Group;

(ii) the actual and future operations and liquidity positions of the Group;

(iii) the future cash requirements and availability;

(iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(v) the general market conditions;

(vi) the future development of the Group; and

(vii) any other factor that the Board deems appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period.

SHAREHOLDERS COMMUNICATION POLICY

The Board believes the importance of maintaining transparent, timely and effective communication with the Shareholders and investors of the Company. Effective communication with Shareholders enables Shareholders to have a clear assessment of the Group's performance and establishes investor confidence and enables them to engage actively with the Company and exercise their rights as shareholders in an informed manner.

According to the Shareholders Communication Policy of the Company adopted by the Board on April 16, 2019, a summary of the major means of communication with the Shareholders are as follows:

Financial and other reporting

The Company reports operating results on a half-yearly basis and produces interim and annual reports in accordance with the Listing Rules and other applicable laws and regulations. From time to time, the Company communicates other information to Shareholders by way of Company's announcement and/or circular, in compliance with the relevant regulatory requirements or otherwise.

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.saileisuregroup.com). In addition to a dedicated "Investor Relations" section in which the annual reports, interim reports, announcements and circulars of the Company are posted as soon as practicable following their release to the Stock Exchange on the website of HKEX, relevant press releases and speeches are also made available on the Company's website to facilitate communication between the Company, Shareholders and the investment community.

General meetings with Shareholders

The annual general meetings and other general meetings of the Company are the primary forum for communication with Shareholders and for Shareholders' participation. Voting at general meetings is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on the respective websites of the Stock Exchange and the Company after the conclusion of the general meetings. The Company encourages Shareholders to participate in shareholders' meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

The 2023 AGM of the Company is expected to be held on June 1, 2023. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM. The Chairman and members of the Board and chairmen of the various Board committees or their duly appointed delegates will attend the forthcoming AGM to answer questions raised by the Shareholders.

Shareholders Enquiries

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of the Company.

The Company's Shareholders Communication Policy is subject to regular review by the Board and will be amended (as appropriate) from time to time. During the Year, in accordance with the Shareholders Communication Policy and the relevant rules and regulations:

- The Company has published annual reports, interim reports, circulars and announcements in a timely manner on websites of the Stock Exchange and the Company;

- The Company has published terms of reference of committees of Board on the Company's website;

- Shareholders are given the opportunity to meet the Directors and to raise questions at the Company's annual general meeting each year. The Chairman of the Board, executive Directors, non-executive Directors and independent non-executive Directors, members of the senior management and the external auditor of the Company will attend the annual general meetings to answer questions from the Shareholders;

- Shareholders may put forward proposals and resolutions for consideration at general meetings. Please refer to the section headed "Shareholders Rights" of this report;

- All Shareholders are welcome at all times to give feedback to and communicate with the Directors or management through the Company Secretary by post to the Company's principal place of business in Hong Kong; and

- All Shareholders may direct their questions about their shareholdings to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, for share registration and related matters.

The Board has reviewed the implementation and effectiveness of the Shareholders Communication Policy during the Year. With the above measures in place, the Board is satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

CONSTITUTIONAL DOCUMENTS

At the annual general meeting of the Company held on June 2, 2022, a special resolution was passed to amend the then existing Articles of the Company to, among others, (i) to allow general meetings to be held as hybrid meetings where Shareholders may attend by means of electronic facilities in addition to as physical meetings where Shareholders attend in person, (ii) to set out other related powers of the Board and the chairman of the general meetings, including but not limited to making arrangements for attendance as well as ensuring the security and orderly conduct of such general meetings, (iii) to reflect certain amendments in the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands, and (iv) to make other minor consequential and tidying-up amendments for house-keeping purposes. Please refer to the Company's announcement dated March 29, 2022 and circular dated April 23, 2022 for details of the changes made to the previous version of the Articles. The latest version of the Company's Articles is available for inspection on the websites of the Stock Exchange and the Company.

Ernst & Young
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979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
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ey.com

To the Shareholders of S.A.I. Leisure Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of S.A.I. Leisure Group Company Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 104 to 169, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on property, plant and equipment of the hotel assets	
The carrying amount of the property, plant and equipment of the hotel assets (including right-of-use assets) as at December 31, 2022 was US$127,500,000, which represented 98% of the carrying amount of the Group's property, plant and equipment and 80% of the Group's total assets. In accordance with Hong Kong Accounting Standard ("**HKAS**") 36 *Impairment of Assets* issued by the HKICPA, where an indication of impairment on cash-generating units containing these assets exists, the Group will estimate the recoverable amounts of the relevant cash-generating units, which are the higher of the value in use and the fair value less costs of disposal. An impairment loss is recognized only if the carrying amount of a cash-generating unit exceeds its recoverable amount. Since the Group's hotels and resorts segment has been loss-making for some time, the Group considered that impairment indications existed for cash-generating units containing the hotel assets. In this regard, the Group carried out impairment assessments to assess the recoverable amounts of these cash-generating units.	In respect of the estimation of the recoverable amount of each of the cash-generating units containing hotel assets prepared by the Group, we evaluated the calculation of the recoverable amount estimation and other assumptions (including the occupancy rate, room charge, growth rate) and involved our valuation specialists to assist us in evaluating the discount rate used. In addition, we discussed with management of the Company about the parameters and assumptions used in the cash flow forecast estimation and obtained corroborative evidence to evaluate their reasonableness. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on property, plant and equipment of the hotel assets *(Continued)* The recoverable amounts of the cash-generating units containing hotel assets were estimated by the Group using a value-in-use calculation. The estimation of the recoverable amounts was based on, inter alia, future cash flows of the relevant cash-generating units, which can be subjective in nature and involved various management assumptions regarding the occupancy rate, room charge and growth rate estimation. Given the complexity and judgmental nature of the impairment test, we considered this a key audit matter. Related disclosures are included in notes 3, 4 and 15 to the consolidated financial statements.	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is LAM, Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong
March 30, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2022

	Note	2022 US$'000	2021 US$'000
Revenue	6	**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	7	**2**	55
Other operating costs		**(11,194)**	(12,130)
Other expenses		**(535)**	(1,868)
Operating loss		**(12,472)**	(6,247)
Finance income	8	**1**	33
Finance costs	8	**(1,287)**	(977)
Finance costs, net	8	**(1,286)**	(944)
Loss before tax	9	**(13,758)**	(7,191)
Income tax credit	12	**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)	14	**(3.2)**	(1.7)

Consolidated Statement of Financial Position

December 31, 2022

	Note	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**130,164**	102,300
Investment properties	16	**2,037**	2,133
Intangible assets	17	**61**	108
Deferred tax assets	28	**6,490**	4,341
Prepayments and deposits	20	**1,301**	839
Total non-current assets		**140,053**	109,721
Current assets			
Inventories	18	**1,435**	2,562
Trade receivables	19	**9,275**	12,951
Prepayments, deposits and other receivables	20	**1,718**	955
Amounts due from related parties	31	**15**	1
Income tax recoverable		**2,561**	2,561
Cash and cash equivalents	21	**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	22	**461**	461
Share premium	22	**38,122**	38,122
Capital reserve	23	**27,006**	27,006
Other reserve	23	**4,836**	4,836
Retained earnings		**4,094**	15,519
		74,519	85,944
Non-controlling interests	24	**(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	27	**1,800**	—
Lease liabilities	15	**17,523**	18,760
Total non-current liabilities		**19,323**	18,760
Current liabilities			
Trade and other payables	25	**10,077**	13,705
Bank borrowings	26	**48,000**	17,000
Other borrowings	27	**5,015**	—
Lease liabilities	15	**1,268**	1,539
Amounts due to related parties	31	**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

……………………………………
Dr. Tan Siu Lin
Director

……………………………………
Dr. Tan Henry
Director

	Attributable to shareholders of the Company							
	Issued share capital US$'000 (Note 22)	Share premium US$'000 (Note 22)	Capital reserve US$'000 (Note 23)	Other reserve US$'000 (Note 23)	Retained earnings US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2021	461	38,122	27,006	4,840	21,471	91,900	(85)	91,815
Loss for the year	–	–	–	–	(5,952)	(5,952)	(188)	(6,140)
Other comprehensive loss:								
Change in value of debt investment at fair value through other comprehensive income	–	–	–	(29)	–	(29)	–	(29)
Total comprehensive loss for the year	–	–	–	(29)	(5,952)	(5,981)	(188)	(6,169)
Transfer of fair value loss on debt investment at fair value through other comprehensive income to profits or loss upon disposal	–	–	–	25	–	25	–	25
At December 31, 2021 and January 1, 2022	**461**	**38,122**	**27,006**	**4,836**	**15,519**	**85,944**	**(273)**	**85,671**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(11,425)**	**(11,425)**	**(69)**	**(11,494)**
At December 31, 2022	**461**	**38,122**	**27,006**	**4,836**	**4,094**	**74,519**	**(342)**	**74,177**

Consolidated Statement of Cash Flows

Year ended December 31, 2022

	Note	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Loss before income tax		**(13,758)**	(7,191)
Adjustments for:			
Depreciation of property, plant and equipment	9	**4,159**	4,320
Depreciation of investment properties	9	**98**	97
Amortization of intangible assets	9	**49**	121
Impairment of trade receivables	9	**5**	115
Write-down of inventories to net realizable value	9	**—**	344
Gains on disposal of property, plant and equipment	7	**—**	(86)
Write-off of property, plant and equipment and investment properties	9	**530**	1,341
Impairment of property, plant and equipment	9	**—**	68
Interest income	8	**(1)**	(33)
Interest expense	8	**1,287**	977
Rent concessions from lessors		**(405)**	(698)
Gains on early termination of lease contracts	7	**—**	(2)
Gain on lease modification of lease contracts		**(199)**	—
Loss on disposal of financial asset at fair value through other comprehensive income	7	**—**	25
		(8,235)	(602)
Decrease in inventories		**1,127**	1,751
Decrease in trade receivables		**3,671**	2,185
(Increase)/decrease in prepayments, deposits and other receivables		**(760)**	246
Decrease in trade and other payables		**(3,587)**	(1,185)
(Increase)/decrease in amounts due from related parties		**(14)**	3
Increase/(decrease) in amounts due to related parties		**495**	(97)
Net cash (used in)/generated from operations		**(7,303)**	2,301
Income tax refunded		**115**	8
Net cash flows (used in)/from operating activities		**(7,188)**	2,309

	Note	2022 US$'000	2021 US$'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(32,125)**	(48,172)
Proceeds from disposal of property, plant and equipment		**—**	101
Additions to investment properties		**(2)**	(5)
Additions to intangible assets		**(2)**	—
Proceeds from disposal of financial asset at fair value through other comprehensive income		**—**	479
Interest received		**1**	33
Net cash flows used in investing activities		**(32,128)**	(47,564)
Cash flows from financing activities			
New bank loans		**31,000**	17,000
New other loans		**6,800**	—
Principal portion of lease payments		**(774)**	(823)
Interest paid		**(2,336)**	(1,009)
Net cash flows from financing activities		**34,690**	15,168
Net decrease in cash and cash equivalents		**(4,626)**	(30,087)
Cash and cash equivalents at beginning of year		**8,077**	38,164
Cash and cash equivalents at end of year	21	**3,451**	8,077

1 CORPORATE AND GROUP INFORMATION

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

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

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ establishment	Issued and fully paid share capital	Percentage of equity attributable to the Company (Indirect)	Principal activities
Asia Pacific Hotels, Inc.	The Commonwealth of Northern Mariana Islands (the "**CNMI**")	US$15,000,000	100	Hotels and resorts operations
Gemkell (Saipan) Corporation	The CNMI	US$100,000	80	Retail of luxury travel accessories
Asia Pacific Hotels, Inc. (Guam)	Guam	US$9,500,000	100	Hotels and resorts operations
Gemkell Corporation	Guam	US$80,000	80	Retail of luxury travel accessories
Gemkell U.S.A. LLC	Hawaii	US$1,000,000	80	Retail of luxury travel accessories

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 for 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 is gradually recovering, and that the hotels are expected to generate operating cash inflows to the Group;

2.1 BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

(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.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non current (the "**2020 Amendments**")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 Effective for annual periods beginning on or after January 1, 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after January 1, 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

(a) Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

(b) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., January 1, 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after January 1, 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(e) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parities

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20 to 48 years
Renovation and leasehold improvements	Shorter of lease term or 10 to 20 years
Plant and machinery	5 to 15 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction and/or pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are stated at cost, including transaction costs, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of investment properties over their estimated useful lives of 20 to 48 years. The depreciation period and the depreciation method for an investment property are reviewed at least at each financial year end.

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of the retirement or disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 5 years.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) *Right-of-use assets*

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	10 to 60 years
Buildings	2 to 8 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The Group's right-of-use assets are included in property, plant and equipment.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) *Financial assets at amortized cost (debt instruments)*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

(b) *Financial assets at fair value through other comprehensive income (debt instruments)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1: Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2: Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost, which are recognized initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, amounts due to related parties, bank borrowings and other borrowings.

Subsequent measurement

After initial recognition, financial liabilities at amortized costs are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal. Hotel consumables including linens and toiletries are expensed-off as incurred.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions *(Continued)*

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized in profit or loss as deduction from the relevant expense on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Hotels and resorts operation*

Revenue from room charge is recognized over time during the period of stay for the hotel guests because the customer simultaneously receives and consumes the benefits provided by the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) *Hotels and resorts operation (Continued)*

The Group sells the rooms directly either to tour operators on a wholesales basis, traditional travel agents ("**TTAs**"), several corporate customers and individuals. The Group also sells the rooms through the online travel agents ("**OTAs**") to the end customers. On this basis, tour operators, TTAs, several corporate customer and individuals are accounted for as the Group's customers. The Group has an agency relationship with OTAs whereby OTAs would book the room when they receive customers' order and in return receive fixed rate commission for their service. As such, the Group regards OTAs as the agents of the Group and their end-guests as the Group's customers. Revenue is recognized based on the amount received from the end-guests and payment made to the OTAs is recorded as commission expenses.

Revenue from food and beverage sales is recognized at the point in time when the food and beverage are delivered to the customers.

(b) *Luxury travel retail operation*

Revenue from the sale of goods is recognized at the point in time when control of the products is transferred to the customers, generally on delivery of the products.

(c) *Destination services operation*

Revenue from provision of tour services is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from sales of souvenirs and others is recognized at a point of time when the control of the products is transferred to the customers, generally on delivery of the products.

Revenue from the land arrangement activities is recognized when the services are rendered to the customers.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits — Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits — Pension schemes *(Continued)*

The employees of the Group's subsidiaries which operate in Saipan, Guam and Hawaii are required to participate in a defined contribution pension scheme as defined in subsection 401(k) of the Internal Revenue Code in the United States. These subsidiaries may make matching or non-elective contributions to the plan on behalf of eligible employees that is limited to a maximum pre-tax annual contribution of US$20,500 (2021: US$19,500) for the year ended December 31, 2022. The contributions to the scheme are charged to profit or loss as and when they incurred. The Group's employer contribution vest fully once made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in US dollars, which is the Company's and its subsidiaries' functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

(a) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

(b) *Significant judgement in determining the lease term of contracts with renewal options*

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease.

Estimates

The key assumptions concerning the future and other key sources of estimation at the end of the reporting year, that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(c) *Useful lives and residual values of property, plant and equipment*

The Group's management determines the useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge when useful lives and residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

(d) *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

(e) *Write-down of inventories to net realizable value*

Impairment of inventories is made based on the assessment of net realizable value, which is the amount the inventories are expected to realize. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of inventories and the amount of impairment/reversal in the periods in which such estimates have been changed.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimates *(Continued)*

(f) Provision for expected credit losses on trade receivables

For trade receivable from a governmental authority, the credit quality of a governmental authority has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. Other than the trade receivables from a government authority, the Group uses a provision matrix to calculate ECLs for trade receivables, by applying ECL rates to different ageing groups of customers with similar credit risk characteristics. The ECL rate of each ageing group is determined by the Group based on the average of historical incurred credit loss experience on each ageing group in the past years and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of a customer's actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of trade receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

5 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/loss before tax except that other gains, net, finance income, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets and liabilities information is not disclosed as 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.

5 SEGMENT INFORMATION *(Continued)*

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 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000	**2022 US$'000**	2021 US$'000	**2022 US$'000**	2021 US$'000
Segment revenue *(Note 6)*								
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 of 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 of investment properties	**98**	97	**—**	—	**—**	—	**98**	97
Amortization of intangible assets	**37**	101	**12**	20	**—**	—	**49**	121
Write-down of inventories to net realizable value	**—**	—	**—**	344	**—**	—	**—**	344
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 of property, plant and equipment	**—**	—	**—**	68	**—**	—	**—**	68
Capital expenditure*:								
Segment assets	**32,452**	51,097	**218**	2,086	**46**	142	**32,716**	53,325
Unallocated assets							**—**	2
							32,716	53,327

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

5 SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2022 US$'000	2021 US$'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 US$'000	2021 US$'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 US$'000	2021 US$'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.

6 REVENUE

An analysis of revenue is as follows:

	2022 US$'000	2021 US$'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

(a) Disaggregated revenue information

Year ended December 31, 2022

Segments	**Hotels and resorts US$'000**	**Luxury travel retail US$'000**	**Destination services US$'000**	**Total US$'000**
Types of goods or services				
Revenue from contracts with customers				
— Room charge	6,555	—	—	6,555
— Food and beverage	1,386	—	—	1,386
— Sale of luxury and leisure clothing and accessories	—	7,448	—	7,448
— Sale of souvenirs and others	—	—	228	228
— Operating excursion tour and rendering of land arrangement services	—	—	15	15
— Other hospitality (Note (i))	30	—	—	30
Total revenue from contracts with customers	7,971	7,448	243	15,662
Revenue from an other source				
— Rental income	89	—	—	89
Total revenue	8,060	7,448	243	15,751

6 REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

Year ended December 31, 2022 *(Continued)*

Segments	Hotels and resorts US$'000	Luxury travel retail US$'000	Destination services US$'000	Total US$'000
Geographical markets				
Revenue from contracts with customers				
— Saipan	7,445	891	243	8,579
— Guam	526	4,943	—	5,469
— Hawaii	—	1,614	—	1,614
Total revenue from contracts with customers	7,971	7,448	243	15,662
Revenue from an other source				
— Rental income	89	—	—	89
Total revenue	8,060	7,448	243	15,751
Timing of revenue recognition				
Revenue from contracts with customers				
— Goods transferred at a point in time	1,416	7,448	228	9,092
— Services transferred over time	6,555	—	15	6,570
Total revenue from contracts with customers	7,971	7,448	243	15,662
Revenue from an other source				
— Rental income (Note (ii))	89	—	—	89
Total revenue	8,060	7,448	243	15,751

6 REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

Year ended December 31, 2021

Segments	Hotels and resorts US$'000	Luxury travel retail US$'000	Destination services US$'000	Total US$'000
Types of goods or services				
Revenue from contracts with customers				
— Room charge	12,294	—	—	12,294
— Food and beverage	2,802	—	—	2,802
— Sale of luxury and leisure clothing and accessories	—	4,371	—	4,371
— Sale of souvenirs and others	—	—	196	196
— Other hospitality (Note (i))	39	—	—	39
Total revenue from contracts with customers	15,135	4,371	196	19,702
Revenue from an other source				
— Rental income	99	—	—	99
Total revenue	15,234	4,371	196	19,801
Geographical markets				
Revenue from contracts with customers				
— Saipan	15,135	543	196	15,874
— Guam	—	2,396	—	2,396
— Hawaii	—	1,432	—	1,432
Total revenue from contracts with customers	15,135	4,371	196	19,702
Revenue from an other source				
— Rental income	99	—	—	99
Total revenue	15,234	4,371	196	19,801

6 REVENUE *(Continued)*

(a) Disaggregated revenue information *(Continued)*

Year ended December 31, 2021 *(Continued)*

Segments	Hotels and resorts US$'000	Luxury travel retail US$'000	Destination services US$'000	Total US$'000
Timing of revenue recognition				
Revenue from contracts with customers				
— Goods transferred at a point in time	2,841	4,371	196	7,408
— Services transferred over time	12,294	—	—	12,294
Total revenue from contracts with customers	15,135	4,371	196	19,702
Revenue from an other source				
— Rental income	99	—	—	99
Total revenue	15,234	4,371	196	19,801

Notes:

(i) Other hospitality mainly represents late check-out charges, cancellation charges, laundry income, sales of items from mini bar, smoking fee and extra bed charges.

(ii) Rental income mainly represents income derived from lease of hotel space to third-party operating services and facilities.

(iii) No revenue recognized during the year ended December 31, 2022 related to performance obligations satisfied or partially satisfied in previous periods (2021: Nil).

6 REVENUE *(Continued)*

(b) Performance obligations

Information about the Group's performance obligations in contracts with customers is summarized below:

Room charge

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services, except for the sale to tour operators on a wholesale basis, TTAs, several corporate customers and individuals. For the sales with OTAs, payment are either settled by the end-guests upon checkout or settled by OTAs on a monthly basis. For certain sales with corporate customers, a credit term of 30 days is granted.

Sale of goods (including food and beverage, luxury and leisure clothing and accessories, souvenirs and others)

The performance obligation is satisfied at the point in time when control of the products is transferred to the customers, generally on delivery of the products. Payment of the transaction is due immediately at the point when the customer purchases the goods.

The Group does not provide any sales-related warranties nor right of return by customers under the Group's standard contract terms.

Operating excursion tour and rendering of land arrangement services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

There were no amounts of transaction prices allocated to the remaining performance obligations related to the operating excursion tour and rendering of land arrangement services (unsatisfied or partially unsatisfied) as at the end of the reporting period. As the remaining performance obligations for room charge are part of the revenue contracts that have an original expected duration of one year or less, the Group has elected the practical expedient in HKFRS 15 for not to disclose the amount of the transaction prices allocated to these performance obligations.

7 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

8 FINANCE COSTS, NET

	2022 US$'000	2021 US$'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)

9 LOSS BEFORE TAX

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

	Note	2022 US$'000	2021 US$'000
Cost of inventories sold		**4,680**	3,301
Food and beverage costs		**538**	617
Employee benefit expenses (including directors' remuneration — note 10):			
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	15(c)(iii)	**786**	530
Depreciation of property, plant and equipment	15	**4,159**	4,320
Depreciation of investment properties	16	**98**	97
Amortization of intangible assets***	17	**49**	121
Impairment of trade receivables*	19	**5**	115
Write-down of inventories to net realizable value*	18	**—**	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.

10 DIRECTORS' REMUNERATION

(a) Directors' emoluments

An analysis of the directors' remuneration, on a named basis, is as follows:

	Director's fee US$'000	Salary US$'000	Discretionary bonuses US$'000	Allowances and other benefits in kind US$'000	Employer's contribution to a retirement benefit scheme US$'000	Total US$'000
For the year ended December 31, 2022						
Executive director						
Dr. Tan Henry (Note (i))	**—**	**280**	**—**	**—**	**—**	**280**
Mr. Chiu George	**—**	**150**	**—**	**—**	**—**	**150**
Mrs. Su Tan Jennifer Sze Tink	**—**	**154**	**—**	**—**	**—**	**154**
Mr. Schweizer Jeffrey William	**—**	**150**	**—**	**2**	**6**	**158**
Non-executive director						
Dr. Tan Siu Lin	**19**	**—**	**—**	**—**	**—**	**19**
Mr. Tan Willie	**19**	**—**	**—**	**—**	**—**	**19**
Independent Non-Executive Directors						
Prof. Chan Pak Woon David (Note (ii))	**23**	**—**	**—**	**—**	**—**	**23**
Mr. Chan Leung Choi Albert	**38**	**—**	**—**	**—**	**—**	**38**
Mr. Ma Andrew Chiu Cheung	**38**	**—**	**—**	**—**	**—**	**38**
Mr. Wong Chun Tat (Note (iii))	**2**	**—**	**—**	**—**	**—**	**2**
	139	**734**	**—**	**2**	**6**	**881**
For the year ended December 31, 2021						
Executive director						
Dr. Tan Henry (Note (i))	—	200	80	—	—	280
Mr. Chiu George	—	150	—	—	—	150
Mrs. Su Tan Jennifer Sze Tink	—	128	27	—	—	155
Mr. Schweizer Jeffrey William	—	135	5	12	5	157
Non-executive director						
Dr. Tan Siu Lin	19	—	—	—	—	19
Mr. Tan Willie	19	—	—	—	—	19
Independent Non-Executive Directors						
Prof. Chan Pak Woon David	38	—	—	—	—	38
Mr. Chan Leung Choi Albert	38	—	—	—	—	38
Mr. Ma Andrew Chiu Cheung	38	—	—	—	—	38
	152	613	112	12	5	894

10 DIRECTORS' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) Dr. Tan Henry is the Group's chief executive officer.

(ii) Prof. Chan Pak Woon David passed away on November 9, 2022.

(iii) Mr. Wong Chun Tat was appointed as independent non-executive Director on December 16, 2022.

No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during the year ended December 31, 2022 (2021: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the year ended December 31, 2022 (2021: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2022, no consideration was provided to or receivable by third parties for making available directors' services (2021: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loan and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors as at December 31, 2022 (2021: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 31(a), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2022 (2021: Nil).

11 FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year include 2 (2021: 3) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the 3 (2021: 2) non-director, highest paid employees for the year are as follows:

	2022	2021
	US$'000	US$'000
Salaries and other allowances and benefits in kind	**689**	321
Discretionary bonus	**26**	34
Pension scheme contribution	**2**	4
	717	359

11 FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

The number of the non-directors highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2022	2021
US$128,205 to US$192,308 (equivalent HK$1,000,001 to HK$1,500,000)	**—**	1
US$192,308 to US$256,410 (equivalent HK$1,500,001 to HK$2,000,000)	**2**	1
US$256,410 to US$320,513 (equivalent HK$2,000,001 to HK$2,500,000)	**1**	—

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended December 31, 2022 (2021: Nil).

12 INCOME TAX CREDIT

No provision for Hong Kong, the CNMI, Guam and Hawaii profits tax has been made for the year ended December 31, 2022 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 (Note 28)	**2,149**	1,051
	2,264	1,051

The Group's subsidiaries incorporated in the CNMI, Guam and Hawaii were subject to income tax rate of 21%. A reconciliation of the tax credit applicable to loss before tax at the statutory tax rates to the tax expense at the Group's effective tax rate is as follows:

	2022	2021
	US$'000	US$'000
Loss before tax	**(13,758)**	(7,191)
Tax credit at the statutory tax rates	**(2,798)**	(1,442)
Income not subject to tax	**—**	(5)
Expenses not deductible for tax	**649**	658
Lower tax rates enacted by the CNMI (Note)	**—**	(262)
Over-provision in prior years	**(115)**	—
Tax credit at the Group's effective tax rates	**(2,264)**	(1,051)

Note: The CNMI imposes progressive (1.5% to 5%) business gross receipt tax payments ("**BGRT**"). Companies incorporated and operating in the CNMI are entitled to use BGRT as tax credits in deriving the corporate income tax during the years ended December 31, 2022 and 2021.

13 DIVIDEND

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

14 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 each of the years ended December 31, 2022 and 2021.

15 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (Note (c)) US$'000	Buildings US$'000	Renovation and leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
December 31, 2022								
At January 1, 2022:								
Cost	26,112	45,527	10,124	8,425	2,858	961	61,367	155,374
Accumulated depreciation and impairment	(7,704)	(27,756)	(8,966)	(5,146)	(2,621)	(881)	–	(53,074)
Net carrying amount	18,408	17,771	1,158	3,279	237	80	61,367	102,300
Net carrying amount:								
At January 1, 2022	18,408	17,771	1,158	3,279	237	80	61,367	102,300
Additions	–	21	51	12	147	–	32,481	32,712
Lease modifications	(159)	–	–	–	–	–	–	(159)
Write-off	–	–	(530)	–	–	–	–	(530)
Transfer from construction in progress	–	–	60,511	12,102	18,141	–	(90,754)	–
Depreciation provided during the year	(1,302)	(920)	(630)	(690)	(592)	(25)	–	(4,159)
At December 31, 2022	16,947	16,872	60,560	14,703	17,933	55	3,094	130,164
At December 31, 2022:								
Cost	24,814	45,548	69,282	20,539	21,146	961	3,094	185,384
Accumulated depreciation and impairment	(7,867)	(28,676)	(8,722)	(5,836)	(3,213)	(906)	–	(55,220)
Net carrying amount	16,947	16,872	60,560	14,703	17,933	55	3,094	130,164

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Right-of-use assets (Note (c)) US$'000	Buildings US$'000	Renovation and leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
December 31, 2021								
At January 1, 2021:								
Cost	23,996	45,583	26,479	9,359	5,683	947	12,393	124,440
Accumulated depreciation and impairment	(6,163)	(26,911)	(23,535)	(6,880)	(5,346)	(886)	–	(69,721)
Net carrying amount	17,833	18,672	2,944	2,479	337	61	12,393	54,719
Net carrying amount:								
At January 1, 2021	17,833	18,672	2,944	2,479	337	61	12,393	54,719
Additions	–	41	265	1,665	108	56	49,008	51,143
Lease modifications	2,179	–	–	–	–	–	–	2,179
Disposals	–	–	–	(5)	(10)	–	–	(15)
Write-off	–	(26)	(1,103)	(164)	(11)	–	(34)	(1,338)
Depreciation provided during the year	(1,577)	(916)	(907)	(696)	(187)	(37)	–	(4,320)
Impairment provided during the year	(27)	–	(41)	–	–	–	–	(68)
At December 31, 2021	18,408	17,771	1,158	3,279	237	80	61,367	102,300
At December 31, 2021:								
Cost	26,112	45,527	10,124	8,425	2,858	961	61,367	155,374
Accumulated depreciation and impairment	(7,704)	(27,756)	(8,966)	(5,146)	(2,621)	(881)	–	(53,074)
Net carrying amount	18,408	17,771	1,158	3,279	237	80	61,367	102,300

Notes:

(a) As at December 31, 2022, certain hotel assets of the Group of US$106,200,000 (2021: US$76,281,000) have been pledged as security for the banking facilities.

(b) As at December 31, 2022, the Group had property, plant and equipment of hotel and retail store assets of approximately US$127,500,000 (2021: US$99,044,000) and approximately US$2,439,000 (2021: US$2,981,000) respectively that were subject to impairment tests in the event that trading performance is below expectation, store is loss making or existence of other observable indications of declined in value of the property, plant and equipment. The Group considered each individual hotel and retail store as a separately identifiable cash-generating unit ("**CGU**") and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amount of such assets at hotel and retail store level.

The carrying amounts of the hotel and retail store assets are written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections prepared by management covering the remaining tenure of the lease, with major assumptions such as percentage change in revenue, gross profit margin and operating costs. No impairment loss of property, plant and equipment (including right-of-use assets) was recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 (2021: US$68,000).

For the year ended December 31, 2022, property, plant and equipment of US$530,000 (2021: US$1,338,000) from hotels and resorts segment were written off as they are deemed to have no economic value.

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: *(Continued)*

(c) Leases

The Group leases various land, retail stores, offices and warehouses. Rental contracts are typically made for periods of 2 to 60 years, but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(i) The following right-of-use assets are included in "Property, plant and equipment" in the consolidated statement of financial position.

	2022 **US$'000**	2021 US$'000
Right-of-use assets		
Leasehold land*	**14,638**	15,339
Buildings	**2,309**	3,069
	16,947	18,408

* The Group has land lease arrangement with the CNMI and Guam government.

(ii) The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 **US$'000**	2021 US$'000
Carrying amount at 1 January	**20,299**	19,588
Accretion of interest recognized during the year	**906**	970
Rent concessions from lessors	**(405)**	(698)
Modification	**(358)**	2,177
Payments	**(1,651)**	(1,738)
Carrying amount at 31 December	**18,791**	20,299
Analyzed into:		
Current portion	**1,268**	1,539
Non-current portion	**17,523**	18,760
	18,791	20,299

The maturity analysis of lease liabilities is as follows:

	2022 **US$'000**	2021 US$'000
Within 1 year	**1,268**	1,539
After 1 year but within 2 years	**999**	1,237
After 2 years but within 5 years	**1,893**	2,246
After 5 years	**14,631**	15,277
	18,791	20,299

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: *(Continued)*

(c) Leases *(Continued)*

(iii) The amounts recognized in profit or loss in relation to leases are as follows:

	2022 US$'000	2021 US$'000
Depreciation charge of right-of-use assets		
Leasehold land	**701**	705
Buildings	**601**	872
	1,302	1,577
Interest on lease liabilities (Note 8)	**906**	970
Expense relating to short-term leases (Note 9)	**334**	224
Expense relating to variable lease payments not included in lease liabilities (Note 9)	**452**	306
Rent concessions from lessors	**(405)**	(698)
Gain on lease modification of lease contracts	**(199)**	—
Gain on early termination of lease contracts	**—**	2
Impairment of right-of-use assets	**—**	27
Total amount recognized in profit or loss	**2,390**	2,408

(iv) Extension and termination options

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and they are aligned with the Group's business needs. There were no undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease terms. All extension options included in the lease contracts are expected to be exercised while all termination options are expected not to be exercised.

(v) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from hotels and retail stores. For individual stores, certain lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for hotels and retail stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all hotels and retail stores in the Group with such variable lease contracts would increase total lease payments by approximately US$45,000 (2021: US$31,000).

(vi) The total cash outflow for leases is disclosed in note 29(b) to the financial statements.

16 INVESTMENT PROPERTIES

	2022 US$'000	2021 US$'000
At January 1:		
Cost	**3,947**	3,950
Accumulated depreciation	**(1,814)**	(1,722)
Net carrying amount	**2,133**	2,228
Net carrying amount:		
At January 1	**2,133**	2,228
Additions	**2**	5
Depreciation provided during the year	**(98)**	(97)
Write-off	**–**	(3)
At December 31	**2,037**	2,133
At December 31:		
Cost	**3,949**	3,947
Accumulated depreciation	**(1,912)**	(1,814)
Net carrying amount	**2,037**	2,133

Notes:

(a) The investment properties are situated in Saipan and Guam. As at December 31, 2022, the fair values of the investment properties of the Group, as determined by the directors, were US$7,068,000 (2021: US$7,068,000). The fair values of investment properties are determined by using the income approach, which takes into account significant unobservable inputs (level 3) including average daily rate and capitalization rate.

(b) As at December 31, 2022, certain investment properties of the Group of US$2,011,000 (2021: US$2,090,000), have been pledged as security for the banking facilities.

17 INTANGIBLE ASSETS

	Computer software	
	2022	2021
	US$'000	US$'000
At January 1:		
Cost	**825**	825
Accumulated amortization	**(717)**	(596)
Net carrying amount	**108**	229
Net carrying amount:		
At January 1	**108**	229
Additions	**2**	—
Amortization provided during the year	**(49)**	(121)
At December 31	**61**	108
At December 31:		
Cost	**827**	825
Accumulated amortization	**(766)**	(717)
Net carrying amount	**61**	108

18 INVENTORIES

	2022	2021
	US$'000	US$'000
Merchandises	**1,435**	2,562

No provision for obsolete inventory was recognized for the year ended December 31, 2022 (2021: US$344,000). The write-down of inventories to net realizable value for the year ended 31 December 2021 was included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

19 TRADE RECEIVABLES

	Note	2022 US$'000	2021 US$'000
Trade receivables	(a)	**9,986**	13,657
Impairment	(c)	**(711)**	(706)
		9,275	12,951

Notes:

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

(b) 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 US$'000	2021 US$'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

(c) The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 US$'000	2021 US$'000
At beginning of the year	**706**	615
Impairment loss	**5**	115
Amounts written off as uncollectible	**–**	(24)
At end of the year	**711**	706

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for trade receivables (except for the receivable from a government authority). To measure the expected credit losses, trade receivables (except for the receivable from a government authority) have been grouped based on shared credit risk characteristics and the days past due.

19 TRADE RECEIVABLES *(Continued)*

Notes: *(Continued)*

(c) The movements in the loss allowance for impairment of trade receivables are as follows: *(Continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables (other than the receivable from the government authority) using a provision matrix:

		Past due				
	Current	Within 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
At December 31, 2022						
Expected credit loss rate	**15.1%**	**24.1%**	**55.6%**	**–**	**100.0%**	
Gross carrying amount (US$'000)	**73**	**54**	**9**	**–**	**533**	**669**
Expected credit losses (US$'000)	**11**	**13**	**5**	**–**	**533**	**562**
At December 31, 2021						
Expected credit loss rate	14.6%	31.3%	40.0%	100.0%	99.2%	
Gross carrying amount (US$'000)	41	32	10	1	479	563
Expected credit losses (US$'000)	6	10	4	1	475	496

As at December 31, 2022, the trade receivable from the governmental authority amounted to approximately US$9,317,000 (2021: US$13,094,000). The credit quality of a governmental authority has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. Impairment of approximately US$149,000 (2021: US$210,000) has been provided as at December 31, 2022.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 US$'000	2021 US$'000
Deposits	**840**	842
Prepayments	**2,134**	936
Other receivables	**45**	16
	3,019	1,794
Portion classified as current assets	**(1,718)**	(955)
Non-current portion	**1,301**	839

The maximum exposure to credit risk at the reporting date is the carrying amounts of deposits and other receivables mentioned above. The Group does not hold collateral as security.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

20 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

As at December 31, 2022, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognized during the year was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognized during the year.

The carrying amounts of prepayments, deposits and other receivables approximate their fair values and are denominated in the following currencies:

	2022 **US$'000**	2021 US$'000
US$	**2,985**	1,720
HK$	**34**	74
	3,019	1,794

21 CASH AND CASH EQUIVALENTS

	2022 **US$'000**	2021 US$'000
Cash at banks	**3,370**	8,027
Cash on hand	**81**	50
	3,451	8,077
Maximum exposure to credit risk	**3,370**	8,027

21 CASH AND CASH EQUIVALENTS *(Continued)*

Cash and cash equivalents are denominated in the following currencies:

	2022 US$'000	2021 US$'000
US$	**3,364**	8,037
HK$	**87**	40
	3,451	8,077

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22 ISSUED SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares of HK$0.01 each, issued and fully paid:

	Number of shares	Nominal value of ordinary shares US$'000	Share premium US$'000
At January 1 and December 31, 2021 and 2022	360,000,000	461	38,122

23 CAPITAL RESERVE AND OTHER RESERVE

(a) Capital reserve

Capital reserve of US$27,006,000 represented the contribution from the immediate holding company with respect to the consideration for the acquisition of subsidiaries pursuant to a reorganization for the Listing.

(b) Other reserve

Other reserve of US$4,809,000 mainly represented the deemed contribution from Tan Holdings Limited before the reorganization for the Listing.

24 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

As at December 31, 2022, the Group's accumulated negative balances of non-controlling interests ("**NCI**") amounting to approximately US$342,000 (2021: US$273,000), are arising from Gemkell Corporation and Gemkell (Saipan) Corporation, which are the Group's 80% owned subsidiaries.

Summarized financial information of the subsidiaries with material non-controlling interest

Set out below is the summarized financial information of Gemkell Corporation and Gemkell (Saipan) Corporation, which have non-controlling interests that are material to the Group.

(a) Gemkell Corporation

Summarized statement of financial position of Gemkell Corporation:

	2022 US$'000	2021 US$'000
Current		
Assets	**4,415**	6,648
Liabilities	**(3,892)**	(5,657)
Net current assets	**523**	991
Non-current		
Assets	**3,632**	3,828
Liabilities	**(2,408)**	(2,995)
Net non-current assets	**1,224**	833
Net assets	**1,747**	1,824
Accumulated NCI	**349**	365

Summarized statement of profit or loss and other comprehensive income of Gemkell Corporation:

	2022 US$'000	2021 US$'000
Revenue	**6,557**	3,828
Loss for the year and total comprehensive loss for the year	**(77)**	(1,096)
Total comprehensive loss for the year attributable to NCI	**(16)**	(219)

24 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Summarized financial information of the subsidiaries with material non-controlling interest *(Continued)*

(a) Gemkell Corporation *(Continued)*

Summarized statement of cash flows of Gemkell Corporation:

	2022 US$'000	2021 US$'000
Net cash flows (used in)/from operating activities	**(1,882)**	1,170
Net cash flows used in investing activities	**(671)**	(17)
Net cash flows used in financing activities	**(326)**	(685)
Net (decrease)/increase in cash and cash equivalents	**(2,879)**	468

(b) Gemkell (Saipan) Corporation

Summarized statement of financial position of Gemkell (Saipan) Corporation:

	2022 US$'000	2021 US$'000
Current		
Assets	**590**	2,833
Liabilities	**(4,058)**	(5,956)
Net current liabilities	**(3,468)**	(3,123)
Non-current		
Assets	**15**	11
Liabilities	**–**	(76)
Net non-current assets/(liabilities)	**15**	(65)
Net liabilities	**(3,453)**	(3,188)
Accumulated NCI	**(691)**	(638)

24 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Summarized financial information of the subsidiaries with material non-controlling interest *(Continued)*

(b) *Gemkell (Saipan) Corporation* *(Continued)*

Summarized statement of profit or loss and other comprehensive income of Gemkell (Saipan) Corporation:

	2022 US$'000	2021 US$'000
Revenue	**891**	543
(Loss)/profit for the year and total comprehensive (loss)/income for the year	**(265)**	155
Total comprehensive (loss)/income for the year attributable to NCI	**(53)**	31

Summarized statement of cash flows of Gemkell (Saipan) Corporation:

	2022 US$'000	2021 US$'000
Net cash flows (used in)/from operating activities	**(1,404)**	21
Net cash flows used in financing activities	**(12)**	(23)
Net decrease in cash and cash equivalents	**(1,416)**	(2)

25 TRADE AND OTHER PAYABLES

	2022 US$'000	2021 US$'000
Trade payables		
— to third parties (Note (a))	**995**	1,105
— to related parties (Note (b))	**165**	50
Total trade payables	**1,160**	1,155
Accruals and other payables		
— Accrued staff salaries	**597**	434
— Other taxes payable	**1,230**	2,149
— Other accruals and payables	**4,958**	4,828
— Payables for purchase of property, plant and equipment	**2,132**	2,877
— Deferred government grants (Note (c))	**—**	2,262
	8,917	12,550
	10,077	13,705

25 TRADE AND OTHER PAYABLES *(Continued)*

(a) Trade payables to third parties

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

	2022 US$'000	2021 US$'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

(b) Trade payables to related parties

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

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

	2022 US$'000	2021 US$'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

(c) Deferred government grants

For the year ended December 31, 2022, Paycheck Protection Program ("**PPP loan**") of approximately US$2,093,000 (2021: US$2,875,000) has been forgiven by the government and recognized in the consolidated statement of profit or loss and other comprehensive income over the year ended December 31, 2022 to match them with the costs that they are intended to compensate. As at December 31, 2022, no PPP loan outstanding was recognized as deferred government grant in the consolidated statement of financial position (2021: US$2,262,000).

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

	2022 US$'000	2021 US$'000
US$	**9,711**	13,306
HK$	**366**	399
	10,077	13,705

26 BANK BORROWINGS

	2022 US$'000	2021 US$'000
Current		
Short-term bank borrowing, unsecured	**5,000**	—
Term loans, secured		
— due for repayment within 1 year which contain a repayment on demand clause	**367**	—
— due for repayment after 1 year which contain a repayment on demand clause	**42,633**	17,000
Total bank borrowings	**48,000**	17,000

Bank borrowings due for repayment after 1 year which contain a repayment on demand clause is classified as a current liability.

The expected repayment dates of the Group's bank borrowings that are grouped under "Repayment on demand" category, with reference to schedules of repayments set out in the term loan agreements, are as follows:

	2022 US$'000	2021 US$'000
Within 1 year	**367**	—
After 1 year but within 2 years	**3,133**	367
After 2 years but within 5 years	**39,500**	16,633
	43,000	17,000

The effective interest rate of the bank borrowings was 4.05% per annum for the year ended December 31, 2022 (2021: 2.5%).

The carrying amount of the Group's bank borrowings approximate their fair value and are denominated in US$.

As at December 31, 2022, the Group had aggregate banking facilities of US$48,000,000 (2021: US$43,000,000). There were no unutilized facilities as at December 31, 2022 (2021: US$26,000,000). The Group's banking facility is secured and guaranteed by:

(a) certain property, plant and equipment and investment properties owned by the Group with carrying amounts of US$106,200,000 (2021: US$76,281,000) and US$2,011,000 (2021: US$2,090,000), respectively as at December 31, 2022 (notes 15 and 16); and

(b) corporate guarantee provided by the Company and its subsidiaries.

27 OTHER BORROWINGS

	2022 US$'000	2021 US$'000
Non-current		
Shareholder's loan	**1,800**	—
Current		
Shareholder's loan	**5,000**	—
Accrued interests	**15**	—
	5,015	—
	6,815	—

The expected repayment dates of the Group's other borrowings are as follows:

	2022 US$'000	2021 US$'000
Within 1 year	**5,015**	—
After 1 year but within 2 years	**1,800**	—
	6,815	—

On August 30, 2022, the Group entered into a loan agreement with Tan Holdings for 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, an amount of US$5,000,000 had been drawn down by the Company and it was classified as a current liability.

On December 16, 2022, 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. As at December 31, 2022, an amount of US$1,800,000 had been drawn down by the Company and it was classified as a non-current liability.

28 DEFERRED TAX ASSETS

The components of deferred tax assets and their movements during the year are as follows:

	Attributable to			
	Impairment of trade receivables US$'000	**Depreciation allowances in excess of related depreciation** US$'000	**Tax losses and others** US$'000	**Total** US$'000
At January 1, 2021	73	2,267	1,204	3,544
Deferred tax credited to profit or loss during the year	4	149	920	1,073
At December 31, 2021 and January 1, 2022	**77**	**2,416**	**2,124**	**4,617**
Deferred tax credited/(charged) to profit or loss during the year	**1**	**(1,441)**	**6,394**	**4,954**
At December 31, 2022	**78**	**975**	**8,518**	**9,571**

The movements of deferred tax liabilities are as follows:

	Accelerated tax depreciation US$'000
At January 1, 2021	(254)
Deferred tax charged to profit or loss during the year	(22)
At December 31, 2021 and January 1, 2022	**(276)**
Deferred tax charged to profit or loss during the year	**(2,805)**
At December 31, 2022	**(3,081)**

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2022, the Group did not have unrecognized deferred tax assets (2021: Nil) in respect of losses that can be carried forward against future taxable income.

Pursuant to income tax laws of the CNMI, Guam and Hawaii, withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in these jurisdictions. The Group is therefore liable to withholding taxes on dividends declared by the subsidiaries established in these jurisdictions.

28 DEFERRED TAX ASSETS *(Continued)*

At 31 December 2022, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in these jurisdictions. In the opinion of the directors, the Group's fund will be retained in these jurisdictions for the reinvestment of the Group's operation and therefore it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in these jurisdictions for which deferred tax liabilities have not been recognized totaled approximately US$8,552,000 (2021: US$9,124,000) as at December 31, 2022.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash transactions for right-of-use assets and lease liabilities of US$159,000 (2021: US$2,179,000) and US$358,000 (2021: US$2,177,000), respectively, in respect of lease modification.

(b) The movements of liabilities from financing activities for the year ended December 31, 2022:

	Lease liabilities US$'000	Bank borrowings US$'000	Other borrowings US$'000	Total US$'000
At January 1, 2021	19,588	—	—	19,588
Accrued interest	970	94	—	1,064
Change from financing cash flows	(1,738)	16,906	—	15,168
Rent concessions from lessors	(698)	—	—	(698)
Lease modification	2,177	—	—	2,177
At December 31, 2021 and January 1, 2022	**20,299**	**17,000**	**—**	**37,299**
Accrued interest	**906**	**1,450**	**15**	**2,371**
Change from financing cash flows	**(1,651)**	**29,550**	**6,800**	**34,699**
Rent concessions from lessors	**(405)**	**—**	**—**	**(405)**
Lease modification	**(358)**	**—**	**—**	**(358)**
At December 31, 2022	**18,791**	**48,000**	**6,815**	**73,606**

(c) The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 **US$'000**	2021 US$'000
Within operating activities	**786**	530
Within financing activities	**1,651**	1,738
	2,437	2,268

30 COMMITMENTS

(a) Operating leases rental receivables — the Group as lessor

At December 31, 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 US$'000	2021 US$'000
Within 1 year	**67**	68
After 1 year but within 2 years	**36**	19
	103	87

(b) Capital commitments

Significant capital expenditure contracted for at the end of each reporting period but not recognized as liabilities is as follows:

	2022 US$'000	2021 US$'000
Property, plant and equipment	**4,290**	13,150

31 RELATED PARTY DISCLOSURES

(a) The Group had the following material transactions with related parties during the year:

Company name	**Nature of transactions**	2022 US$'000	2021 US$'000
Companies controlled by the Controlling Shareholder:			
Strategic Gaming Solution, Inc.*	Rental income and expenses recharged	**—**	9
CTSI Holdings Limited and its subsidiaries*	Freight forwarding and logistics expenses	**1,109**	1,140
Cosmos Distributing Co. Ltd.*	Purchase of merchandises	**34**	—
TakeCare Insurance Company Inc.*	Insurance fee	**524**	548
Luen Thai International Development Limited*	Rental expenses and expenses charged	**61**	58
Fellow subsidiaries:			
L&T Group of Companies Ltd.	Shared-services expenses	**189**	192
	Staff costs charges	**86**	108
D&Q Co. Ltd.*	Purchase of merchandises	**16**	39
Beach Road Tourism Development, Inc.*	Rental expenses and expenses charged	**221**	179
L&T Group of Companies Ltd.*	Rental expenses and expenses charged	**68**	73

* These transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31 RELATED PARTY DISCLOSURES *(Continued)*

(a) *(Continued)*

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

Outstanding balances and other transactions with related parties:

(i) Details of the trade payables balances with related parties at the end of the reporting period are disclosed in note 25(b) to the financial statements.

(ii) Details of the amounts due from/to related parties at the end of the reporting period are as follows:

	2022 US$'000	2021 US$'000
Due from fellow subsidiaries	**12**	—
Due from companies controlled by the Controlling Shareholder	**3**	1
Total amounts due from related parties	**15**	1
Due to fellow subsidiaries	**115**	44
Due to companies controlled by the Controlling Shareholder	**496**	72
Total amounts due to related parties	**611**	116

As at December 31, 2022 and 2021, the balances with related parties were unsecured, interest-free and repayable on demand.

(iii) Details of shareholder's loans at the end of the reporting period are disclosed in note 27 to the financial statements.

(b) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employees' services is shown below:

	2022 US$'000	2021 US$'000
Wage, salaries, bonuses and other allowances and other benefits	**1,158**	1,195
Pension scheme contribution (defined contribution scheme)	**9**	7
	1,167	1,202

32 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at December 31, 2022 and 2021 are classified as financial assets and liabilities at amortized cost, respectively.

33 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- the fair values of other financial assets and financial liabilities included in the Level 2 and Level 3 categories have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The directors of the Company consider that the fair values of financial assets and financial liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of the non-current portion of financial assets and financial liabilities are approximate to their carrying amounts. The changes in fair value as a result of the Group's own nonperformance risk as at December 31, 2022 were assessed to be insignificant.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's banks deposits and borrowings with floating interest rates. The interest rates and terms of repayment of the Group's interest-bearing bank borrowings are disclosed in note 26 to the financial statements. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rate.

As at December 31, 2022, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the year would have been approximately US$223,000 higher/lower (2021: US$45,000 higher/lower).

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The Group mainly operate in Saipan, Guam, Hawaii and Hong Kong with most of the transactions settled in US$ and Hong Kong dollars ("**HK$**"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As HK$ is pegged to US$, the directors considered the foreign exchange risk on HK$ to the Group is minimal.

As at December 31, 2022, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US$. Therefore, management considers the foreign exchange risk is insignificant to the Group.

Credit risk

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December, 31. The amounts presented are gross carrying amounts of financial assets.

With respect to credit risk arising from financial assets of the Group, which mainly comprise cash and bank balances, trade receivables, deposits and other receivables, and amounts due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

	12-month ECLs	Lifetime ECLs	
	Stage 1	Simplified approach	Total
	US$'000	US$'000	US$'000
At December 31, 2022			
Trade receivables*	**—**	**9,986**	**9,986**
Financial assets included in deposits and other receivables — performing**	**885**	**—**	**885**
Amount due from related parties — performing**	**15**	**—**	**15**
Cash and cash equivalents — not yet past due	**3,451**	**—**	**3,451**
At December 31, 2021			
Trade receivables*	—	13,657	13,657
Financial assets included in deposits and other receivables — performing**	858	—	858
Amount due from related parties — performing**	1	—	1
Cash and cash equivalents — not yet past due	8,077	—	8,077

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19(c) to the financial statements.

** The credit quality of the financial assets included in deposits and other receivables and amounts due from related parties is considered to be "performing" when debtors have a low risk of default and a strong capacity to meet contractual cash flows. The basis of recognition of expected credit loss provision is 12-month ECLs. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

	Less than 1 year or on demand	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
At December 31, 2022					
Trade and other payables	**8,250**	**—**	**—**	**—**	**8,250**
Bank borrowing and interest payments	**5,230**	**—**	**—**	**—**	**5,230**
Term loans subject to a repayment on demand clause	**43,000**	**—**	**—**	**—**	**43,000**
Other borrowings and interest payments	**5,136**	**1,826**	**—**	**—**	**6,962**
Lease liabilities and interest payments	**2,127**	**1,809**	**4,144**	**30,938**	**39,018**
Amounts due to related parties	**611**	**—**	**—**	**—**	**611**
	64,354	**3,635**	**4,144**	**30,938**	**103,071**
At December 31, 2021					
Trade and other payables	8,860	—	—	—	8,860
Term loans subject to a repayment on demand clause	17,000	—	—	—	17,000
Lease liabilities and interest payments	2,436	2,107	4,583	32,308	41,434
Amounts due to related parties	116	—	—	—	116
	28,412	2,107	4,583	32,308	67,410

Term loans with a repayment on demand clause are included in the "Less than 1 year or on demand" time band in the above maturity analysis. At December 31, 2022, the aggregate carrying amount of the term loans classified as repayable on demand was US$43,000,000 (2021: US$17,000,000). Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group's bank borrowings. The maturity profile of the Group's bank borrowings with a repayment on demand clause as at the end of the reporting period, based on the scheduled repayment dates and the contractual undiscounted payments, is as follows:

	Less than 1 year US$'000	**Between 1 and 2 years** US$'000	**Between 2 and 5 years** US$'000	**Total** US$'000
At December 31, 2022				
Bank borrowings with a repayment on demand clause	**3,284**	**5,950**	**44,713**	**53,947**
At December 31, 2021				
Bank borrowings with a repayment on demand clause	425	791	17,633	18,849

In addition, Tan Holdings has undertaken not to demand repayment of the amounts due to them of US$6,800,000 (2021: Nil) until such time when the Group is in a position to repay without impairing its liquidity and financial position.

Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt includes "Bank borrowings" as shown in the consolidated statement of financial position. Total capital includes "Equity" as shown in the consolidated statement of financial position.

The gearing ratios as at December 31, 2022 and 2021 were as follows:

	2022 **US$'000**	2021 US$'000
Total debt:		
Bank borrowings (Note 26)	**48,000**	17,000
Total capital	**74,177**	85,671
Gearing ratio	**64.7%**	19.8%

35 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.

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2022 US$'000	2021 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**2**	18
Investments in subsidiaries	**51,550**	51,550
Deposit	**14**	14
Total non-current assets	**51,566**	51,582
Current assets		
Prepayments	**34**	76
Amounts due from subsidiaries	**96,273**	60,525
Cash and cash equivalents	**182**	621
Total current assets	**96,489**	61,222
Total assets	**148,055**	112,804
EQUITY		
Equity attributable to shareholders of the Company		
Issued share capital	**461**	461
Share premium	**38,122**	38,122
Capital reserve	**54,225**	54,225
Accumulated losses	**(3,839)**	(1,821)
Total equity	**88,969**	90,987
LIABILITIES		
Non-current liabilities		
Other borrowings	**1,800**	—
Current liabilities		
Accruals and other payables	**1,162**	521
Other borrowings	**5,015**	—
Lease liabilities	**—**	15
Amounts due to subsidiaries	**51,103**	21,281
Amounts due to related parties	**6**	—
Total current liabilities	**57,286**	21,817
Total liabilities	**59,086**	21,817
Total equity and liabilities	**148,055**	112,804

36 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(b) A summary of the Company's reserves is as follow:

	Share premium US$'000	Capital reserve (Note) US$'000	Other reserve US$'000	Retained earnings/ (accumulated losses) US$'000	Total US$'000
At January 1, 2021	38,122	54,225	4	1,070	93,421
Loss for the year	–	–	–	(2,891)	(2,891)
Other comprehensive loss:					
Change in value of debt investment at fair value through other comprehensive income	–	–	(29)	–	(29)
Total comprehensive loss for the year	–	–	(29)	(2,891)	(2,920)
Transfer of fair value loss on debt investment at fair value through other comprehensive income to profits or loss upon disposal	–	–	25	–	25
At December 31, 2021 and January 1, 2022	**38,122**	**54,225**	**–**	**(1,821)**	**90,526**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**(2,018)**	**(2,018)**
At December 31, 2022	**38,122**	**54,225**	**–**	**(3,839)**	**88,508**

Note: Capital reserve of the Company represented the difference between the net assets value of the subsidiaries acquired and the consideration settled by issuance of the shares of the immediate holding company pursuant to a reorganization for the Listing.

37 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on March 30, 2023.

Five Year Financial Summary

	2018	2019	2020	2021	**2022**
Financial highlights (US$'000)					
Total assets	75,887	131,187	123,651	136,828	**158,508**
Total liabilities	20,762	27,601	31,836	51,157	**84,331**
Bank borrowings	—	—	—	17,000	**48,000**
Equity attributable to the owners of the Company	53,516	102,229	91,900	85,944	**74,519**
Working Capital	12,055	61,497	47,492	(5,290)	**(46,553)**
Revenue	100,178	98,699	40,784	19,801	**15,751**
Profit/(loss) attributable to the owners of the Company	11,694	10,100	(9,320)	(5,952)	**(11,425)**
Key Ratios					
Current ratio (times)	1.6	6.1	4.3	0.84	**0.28**
Profit margin attributable to the owners of the Company	11.6%	10.2%	-22.9%	-30.1%	**-72.5%**

Note: The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.