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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1832)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

GROUP FINANCIAL HIGHLIGHTS

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**14,391**	9,459
Operating loss	**(10,929)**	(538)
Loss attributable to shareholders of the Company	**(13,112)**	(493)
Profit margin (ratio of loss attributable to shareholders of the Company to revenue)	**-91.1%**	-5.2%
Basic loss per share *(US cents)*	**(3.6)**	(0.1)

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2023 (the "**Reporting Period**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

	Note	**Six months ended June 30, 2023** *US$'000* **(Unaudited)**	2022 *US$'000* (Unaudited)
Revenue	*3*	**14,391**	9,459
Cost of inventories sold		**(1,929)**	(2,488)
Food and beverage costs		**(1,213)**	(105)
Employee benefit expenses		**(7,600)**	(1,798)
Utilities, repairs and maintenance		**(3,053)**	(1,441)
Other operating costs		**(11,531)**	(4,166)
Other gains, net	*4*	**6**	1
Operating loss		**(10,929)**	(538)
Finance income	*5*	**1**	—
Finance costs	*5*	**(2,288)**	(464)
Finance costs, net	*5*	**(2,287)**	(464)
Loss before tax	*6*	**(13,216)**	(1,002)
Income tax credit	*7*	**—**	457
Loss for the period and total comprehensive loss for the period		**(13,216)**	(545)
Loss and total comprehensive loss attributable to:			
Shareholders of the Company		**(13,112)**	(493)
Non-controlling interests		**(104)**	(52)
		(13,216)	(545)
Loss per share attributable to shareholders of the Company			
— Basic and diluted *(US cents)*	*8*	**(3.6)**	(0.1)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

	Note	**As at June 30, 2023** *US$'000* **(Unaudited)**	As at December 31, 2022 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**132,787**	130,164
Investment properties		**361**	2,037
Intangible assets		**52**	61
Deferred income tax assets		**6,490**	6,490
Prepayments and deposits		**1,287**	1,301
Total non-current assets		**140,977**	140,053
Current assets			
Inventories		**1,537**	1,435
Trade receivables	*10*	**9,645**	9,275
Prepayments, deposits and other receivables		**2,371**	1,718
Amounts due from related parties		**43**	15
Income tax recoverable		**2,561**	2,561
Cash and cash equivalents		**3,085**	3,451
Total current assets		**19,242**	18,455
Total assets		**160,219**	158,508
EQUITY			
Equity attributable to shareholders of the Company			
Issued share capital		**461**	461
Share premium		**38,122**	38,122
Capital reserve		**27,006**	27,006
Other reserve		**4,836**	4,836
(Accumulated losses)/retained earnings		**(9,018)**	4,094
		61,407	74,519
Non-controlling interests		**(446)**	(342)
Total equity		**60,961**	74,177

	Note	As at June 30, 2023 *US$'000* (Unaudited)	As at December 31, 2022 *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Other borrowings		**21,000**	1,800
Lease liabilities		**16,835**	17,523
Total non-current liabilities		**37,835**	19,323
Current liabilities			
Trade and other payables	*11*	**11,746**	10,077
Bank borrowings		**48,000**	48,000
Other borrowings		**138**	5,015
Lease liabilities		**1,196**	1,268
Amounts due to related parties		**301**	611
Income tax payable		**42**	37
Total current liabilities		**61,423**	65,008
Total liabilities		**99,258**	84,331
Total equity and liabilities		**160,219**	158,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General 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 Company is an investment holding company. During the reporting period, 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.

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

2.1 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2023 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").This condensed consolidated interim financial information is presented in United States dollars ("**US$**") and all values are rounded to the nearest thousand (US$'000), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on August 23, 2023.

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended December 31, 2022 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by HKICPA.

Going concern

As at June 30, 2023, the Group had net current liabilities of US$42,181,000 and incurred a net loss of US$13,216,000 during the six-month period 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$3,085,000. Moreover, the Group had capital commitments of US$1,181,000 as at June 30, 2023 in relation to the Renovation which are expected to be settled during the second half of the year ending December 31, 2023.

In view of such circumstances, 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 facilities with the bank, the Group will be subject to certain undertakings including but not limited to financial covenants. The Group closely monitors its compliance with the undertakings and financial covenants of the banking facility. As at June 30, 2023, the Group did not comply with a financial covenant of the banking facilities with an aggregate amount of US$48,000,000. Consent waiver of non-compliance to the financial covenant has been received by the Group subsequent to the reporting period.

    Based on the latest communications between management and the bank regarding the compliance of undertakings and financial covenants, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment of the bank borrowing. Subsequent to the reporting period, the Group has placed an aggregate amount of US$1,200,000 into its Debt Service Reserve Account with the bank, which is equivalent to six-month loan repayments (including interest payments and principal repayments). Furthermore, as the banking facility is fully secured by certain of the Group's hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track records and relationship the Group has with the bank;

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

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

(iv) The Group has obtained shareholder loan facilities with an aggregate amount of US$21,000,000 which were fully utilized by the Group as at the end of the reporting period. Subsequent to the reporting period, the Group has obtained further shareholder loan facility of an amount of US$7,000,000 in August 2023. Furthermore, 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 condensed consolidated interim financial information). 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 June 30, 2023. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due for a period of not less than twelve months from June 30, 2023. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated interim financial information 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 unaudited condensed consolidated interim financial information.

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform — Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's condensed consolidated interim financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at January 1, 2022, with any cumulative effect recognized as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after January 1, 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognize a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognized (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at January 1, 2022. The amendments did not have any significant impact on the Group's condensed consolidated interim financial information.

(d) Amendments to HKAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3 Segment and revenue information

The executive directors of the Company have been identified as the Group's chief operating decision-maker ("**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.

The segment information provided to the Group's CODM for the reportable segments for the six-month periods ended June 30, 2023 and 2022 are as follows:

	For the six months ended June 30,							
	Hotels and resorts		Luxury travel retail		Destination services		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	US$'000	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*	***US$'000***	*US$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue								
Sales to external customers	**10,683**	5,783	**3,472**	3,574	**236**	102	**14,391**	9,459
Intersegment sales	**30**	—	**—**	—	**—**	—	**30**	—
	10,713	5,783	**3,472**	3,574	**236**	102	**14,421**	9,459
Reconciliation:								
Elimination of intersegment sales							**(30)**	—
							14,391	9,459
Segment results	**(9,501)**	676	**(463)**	(165)	**(166)**	(191)	**(10,130)**	320
Other gains, net							**6**	1
Corporate and other unallocated expenses							**(805)**	(859)
Finance income							**1**	—
Finance costs							**(2,288)**	(464)
Loss before tax							**(13,216)**	(1,002)
Income tax credit							**—**	457
Loss for the period							**(13,216)**	(545)
Other segment information:								
Depreciation of property, plant and equipment:								
Segment assets	**5,084**	1,262	**255**	379	**21**	20	**5,360**	1,661
Unallocated assets							**1**	10
							5,361	1,671
Depreciation of investment properties	**10**	49	**—**	—	**—**	—	**10**	49
Amortization of intangible assets	**9**	27	**—**	10	**—**	—	**9**	37
Capital expenditure:								
Segment assets	**6,234**	16,374	**83**	4	**1**	2	**6,318**	16,380
Unallocated assets							**—**	—
							6,318	16,380

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

Period ended June 30, 2023

Segments	**Hotels and resorts** *US$'000* (Unaudited)	**Luxury travel retail** *US$'000* (Unaudited)	**Destination services** *US$'000* (Unaudited)	**Total** *US$'000* (Unaudited)
Types of goods or services				
Revenue from contracts with customers				
— Room charge	6,929	—	—	6,929
— Food and beverage	3,523	—	—	3,523
— Sale of luxury and leisure clothing and accessories	—	3,472	—	3,472
— Sale of souvenirs and others	—	—	222	222
— Operating excursion tour and rendering of land arrangement services	—	—	14	14
— Other hospitality	172	—	—	172
Total revenue from contracts with customers	10,624	3,472	236	14,332
Revenue from an other source				
— Rental income	59	—	—	59
Total revenue	10,683	3,472	236	14,391

Segments	Hotels and resorts US$'000 (Unaudited)	Luxury travel retail US$'000 (Unaudited)	Destination services US$'000 (Unaudited)	Total US$'000 (Unaudited)
Geographical markets				
Revenue from contracts with customers				
— Saipan	3,521	542	236	4,299
— Guam	7,103	2,110	—	9,213
— Hawaii	—	820	—	820
Total revenue from contracts with customers	10,624	3,472	236	14,332
Revenue from an other source				
— Rental income	59	—	—	59
Total revenue	10,683	3,472	236	14,391
Timing of revenue recognition				
Revenue from contracts with customers				
— Goods transferred at a point in time	3,695	3,472	222	7,389
— Services transferred over time	6,929	—	14	6,943
Total revenue from contracts with customers	10,624	3,472	236	14,332
Revenue from an other source				
— Rental income	59	—	—	59
Total revenue	10,683	3,472	236	14,391

Period ended June 30, 2022

Segments	Hotels and resorts *US$'000* (Unaudited)	Luxury travel retail *US$'000* (Unaudited)	Destination services *US$'000* (Unaudited)	Total *US$'000* (Unaudited)
Types of goods or services				
Revenue from contracts with customers				
— Room charge	5,261	—	—	5,261
— Food and beverage	473	—	—	473
— Sale of luxury and leisure clothing and accessories	—	3,574	—	3,574
— Sale of souvenirs and others	—	—	102	102
— Other hospitality	5	—	—	5
Total revenue from contracts with customers	5,739	3,574	102	9,415
Revenue from an other source				
— Rental income	44	—	—	44
Total revenue	5,783	3,574	102	9,459
Geographical markets				
Revenue from contracts with customers				
— Saipan	5,739	503	102	6,344
— Guam	—	2,283	—	2,283
— Hawaii	—	788	—	788
Total revenue from contracts with customers	5,739	3,574	102	9,415
Revenue from an other source				
— Rental income	44	—	—	44
Total revenue	5,783	3,574	102	9,459

Segments	Hotels and resorts	Luxury travel retail	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition				
Revenue from contracts with customers				
— Goods transferred at a point in time	478	3,574	96	4,148
— Services transferred over time	5,261	—	6	5,267
Total revenue from contracts with customers	5,739	3,574	102	9,415
Revenue from an other source				
— Rental income	44	—	—	44
Total revenue	5,783	3,574	102	9,459

4 Other gains, net

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net exchange gains	**2**	1
Gains on disposal of property, plant and equipment	**4**	—
	6	1

5 Finance costs, net

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance income:		
— Interest income from bank deposits	**1**	—
Finance costs:		
— Interest expense on lease liabilities	**(438)**	(464)
— Interest expenses on bank borrowings	**(1,712)**	(296)
— Interest expenses on other borrowings	**(138)**	(27)
	(2,288)	(787)
Less: Amounts capitalized in the property, plant and equipment	**—**	323
	(2,288)	(464)
Finance costs, net	**(2,287)**	(464)

6 Loss before tax

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

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**1,929**	2,488
Food and beverage costs	**1,213**	105
Employee benefit expenses (including directors' remuneration):		
Wages, salaries and other benefits	**7,574**	1,765
Pension scheme contributions (defined contribution scheme)*	**26**	33
	7,600	1,798
Lease payments not included in the measurement of lease liabilities	**431**	182
Depreciation of property, plant and equipment	**5,361**	1,671
Depreciation of investment properties	**10**	49
Amortization of intangible assets	**9**	37

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

7 Income tax credit

No provision for Hong Kong, the Commonwealth of the Northern Mariana Islands ("**CNMI**"), Guam and Hawaii profits tax has been made for the six months period ended June 30, 2023 and 2022 as the Group did not generate any assessable profits arising in Hong Kong, the CNMI, Guam and Hawaii during these periods.

	Six months ended June 30,	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current	**—**	—
Deferred	**—**	457
	—	457

The Group's subsidiaries incorporated in the CNMI, Guam and Hawaii were subject to corporate income tax rate of 21%.

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 six months ended June 30, 2023 and 2022.

8 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 period attributable to shareholders of the Company of US$13,112,000 (six months ended June 30, 2022: US$493,000), and the weighted average number of ordinary shares of 360,000,000 (six months ended June 30, 2022: 360,000,000) in issue during the period.

No adjustment has been made to the basic loss per share amount presented for each of the periods ended June 30, 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during each of the periods ended June 30, 2023 and 2022.

9 Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

10 Trade receivables

	As at June 30, 2023 *US$'000* **(Unaudited)**	As at December 31, 2022 *US$'000* (Audited)
Trade receivables *(Note)*	**10,356**	9,986
Impairment	**(711)**	(711)
	9,645	9,275

Note:

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. As at June 30, 2023 and December 31, 2022, the aging analysis of the trade receivables based on invoice date and net of loss allowance, were as follows:

	As at June 30, 2023 *US$'000* **(Unaudited)**	As at December 31, 2022 *US$'000* (Audited)
Within 30 days	**127**	62
31 to 60 days	**14**	41
61 to 90 days	**237**	4
Over 90 days	**9,267**	9,168
	9,645	9,275

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

11 Trade and other payables

	As at June 30, 2023 *US$'000* (Unaudited)	As at December 31, 2022 *US$'000* (Audited)
Trade payables		
— to third parties *(Note (a))*	**1,903**	995
— to related parties *(Note (b))*	**237**	165
Total trade payables	**2,140**	1,160
Accruals and other payables		
— Accrued staff salaries	**665**	597
— Other taxes payable	**1,369**	1,230
— Other accruals and payables	**5,440**	4,958
— Payables for purchase of property, plant and equipment	**2,132**	2,132
	9,606	8,917
	11,746	10,077

Notes:

(a) Trade payables to third parties

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

	As at June 30, 2023 *US$'000* (Unaudited)	As at December 31, 2022 *US$'000* (Audited)
Within 30 days	**1,211**	856
31 to 60 days	**167**	102
61 to 90 days	**115**	6
Over 90 days	**410**	31
	1,903	995

(b) Trade payables to related parties

As at June 30, 2023 and December 31, 2022, the amounts due 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:

	As at June 30, 2023 *US$'000* **(Unaudited)**	As at December 31, 2022 *US$'000* (Audited)
Within 30 days	**9**	4
31 to 60 days	**2**	9
61 to 90 days	**2**	3
Over 90 days	**224**	149
	237	165

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

	As at June 30, 2023 *US$'000* **(Unaudited)**	As at December 31, 2022 *US$'000* (Audited)
US$	**11,506**	9,711
HK$	**240**	366
	11,746	10,077

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

Starting from the last quarter of 2022, people around the globe have conformed to "co-living with the COVID-19 virus" and have gradually resumed traveling for business as well as leisure intents. Riding on the high local vaccination rate in both Guam and the Commonwealth of Northern Marianas Islands (the "**CNMI**"), mandatory COVID-19 testing and quarantine requirements upon arrival as well as various social distancing restrictions have been removed back in early 2022. During the first six months of 2023, the tourism industry in Guam and Saipan witnessed a progressive recovery. For the first half of 2023, Guam recorded over 295,000 visitor arrivals, which was approximately 3.5 times over the visitor arrivals of the same period last year and approximately 37.1% of the visitor arrivals of the same period in 2019 (pre-pandemic). On the other hand, Saipan recorded approximately 100,000 visitor arrivals, which was approximately 2.7 times over the visitor arrivals of the same period last year and approximately 41.0% of the visitor arrivals of the same period in 2019 (pre-pandemic).

Subsequent to the pandemic, South Korea has become the top tourist origin market of both Guam (61.2% of total visitor arrivals of first six months of 2023) and the CNMI (81.5% of total visitor arrivals of first six months of 2023). With effect from March 11, 2023, the government of South Korea has scrapped COVID-19 testing requirements for international entrants upon their arrival in South Korea. Besides, in early June 2023, the CNMI governor and representatives of the Marianas Visitors Authority (the "**MVA**") met with key tourism partners in South Korea, including but not limited to airlines, travel agencies and government departments, to reaffirm ties and discuss opportunities for further collaboration and thus intensified the continuous recovery of the South Korea market. The meetings held with key tourism partners were very positive and various airlines have confirmed to operate additional flights to Saipan in the third quarter of 2023 and capture the high travel demand to the Marianas.

Similarly, with effect from April 29, 2023, all travelers and returnees of Japan will no longer be required to submit negative COVID-19 test results or vaccination certificates. However, the recovery of Japanese tourists to Guam and the CNMI was sluggish due to the weakened currency and the fact that the government of Japan focused on bolstering the post-pandemic economic recovery through subsidizing the domestic tourism industry. Since October 2022, the government-backed National Travel Discount program in Japan has been offering discounts to Japanese residents. The program was on transportation and lodging fees along with coupons that can be used for meals and other purchases for domestic travels slated to end in March 2023 (after numerous extensions), but has been further extended through the summer of 2023. Such extension impelled the Japanese tourists to continue with domestic travels during the first half of 2023.

During the Reporting Period, Kanoa Resort remained closed, and the Group is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort in order for it to be reopened as “voco Resort Saipan” in the future. On the other hand, the renovation works of certain outdoor facilities of Crowne Plaza Resort Guam has been completed and the grand opening of Crowne Plaza Resort Guam was held on March 28, 2023. Crowne Plaza Resort Saipan and Century Hotel continued to be open for business during the Reporting Period. On the other hand, two out of the Group’s five luxury travel retail boutiques in Saipan, all the Group’s luxury travel retail boutiques in Guam and in Hawaii as well as one of the Group’s three excursion tours continued to be open for business in the first half of 2023.

Typhoon Mawar, the strongest storm to affect Guam since 2002, lashed Guam for hours on the night of May 24, 2023, damaging buildings, cutting electricity and access to water for most areas of Guam. Crowne Plaza Resort Guam managed to remain in operation after the typhoon hit with no major damage to the structure of the hotel property. In contrast, all the Group’s luxury travel retail boutiques in Guam were closed for a month after the typhoon hit pending for the restoration of the city. Although there was no major damage to our stores, the Group’s luxury travel retail boutiques resumed operation only in the week of June 26, 2023.

Revenue and Operating Loss

For the Reporting Period, the Group recorded a revenue of approximately US$14,391,000, representing an increase of US$4,932,000 from approximately US$9,459,000 in the preceding year. The total revenue from our Guam businesses increased by 303.5% whilst that of Saipan businesses decreased by 32.2% when compared to the preceding year. The substantial increase in revenue was mainly due to the resumption of operation of both Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan during the Reporting Period.

Despite the increase in revenue, for the first six months ended June 30, 2023, the operating loss of the Group was approximately US$10,929,000, representing an increase in loss of US$10,391,000 when compared with the operating loss of approximately US$538,000 in the corresponding period in 2022. The increase in operating loss is mainly attributable to a significant increase in operating expenses as a result of the gradual resumption of the Group's business operations after the COVID-19 pandemic. In particular, there was a sharp increase in staff costs due to the increase in the number of headcount as of June 30, 2023 in view of the recent reopening of Crowne Plaza Resort Saipan and Crowne Plaza Resort Guam. The said amount of operating loss has taken into account, amongst others, the recognition of depreciation and amortization expenses (non-cash items) relating to the Group's assets of approximately US$5,380,000.

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

II. SEGMENTAL REVIEW

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment respectively accounted for approximately 74.2%, 24.1% and 1.7% of the Group's total revenue for the Reporting Period.

Hotels & Resorts Segment

During the Reporting Period, revenue generated from the Hotels & Resorts Segment was approximately US$10,683,000, representing an increase of US$4,900,000 or 84.7% when compared with the corresponding period in 2022. As mentioned above, the net increase in revenue was mainly due to the resumption of operations of both Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan, which contributed an increase in revenue by approximately US$7,118,000 and approximately US$3,447,000, respectively. Nevertheless, the occupancy rates of these two hotels remained relatively low as compared to pre-pandemic levels as the hotels have been ramping up their operations and competing for their share of the recovering tourism markets in Guam and Saipan, respectively. Revenue from Crown Plaza Resort Guam was also limited during the Reporting Period as its grand opening only took place on March 28, 2023 after completion of a majority of the renovation and rebranding works. On the other hand, no revenue was generated by Kanoa Resort (to be renovated and rebranded as "voco Resort Saipan") as it remained temporarily closed since July 2022 after completion of the emergency contract with the CNMI Homeland Security and Emergency Management. As a result, the increase in revenue was not sufficient to offset the significant increase in operating expenses as mentioned above.

Having said that, the management of the Group continued to implement effective cost-saving measures to alleviate the negative financial impact during the ramp-up period of the two Crowne Plaza hotels and the temporary closure of Kanoa Resort. For the six months ended June 30, 2023, the negative segmental operating margin was mainly attributable to (1) an increase in the staff costs due to the increase in the number of headcount as of June 30, 2023 resulted from the reopening of the two Crowne Plaza hotels; and (2) the recognition of depreciation and amortization expenses (non-cash items) under the Hotels & Resorts Segment of approximately US$5,103,000.

Crowne Plaza Resort Guam

Since June 2022, the Group has been carrying out renovation and upgrade works to Crowne Plaza Resort Guam (formerly known as "Fiesta Resort Guam") as part of the asset rejuvenation plan and rebranding works under the hotel management agreement with IHC Hotel Limited (the "**Hotel Manager**") and the grand opening of Crowne Plaza Resort Guam was held on March 28, 2023. 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 hotel is uniquely positioned to capture the pent-up travel demand, to fight for its market share and to promote its F&B business. As mentioned above, on May 24, 2023, Typhoon Mawar lashed Guam for hours, damaging buildings, cutting electricity and access to water for most areas of Guam. Crowne Plaza Resort Guam managed to remain in operation after the typhoon hit with no major damage to the structure of the hotel property.

Crowne Plaza Resort Saipan

Since 2020, the Group has been carrying out renovation and upgrade works to Crowne Plaza Resort Saipan (formerly known as "Fiesta Resort Saipan") as part of the asset rejuvenation plan and rebranding works under the hotel management agreement with the Hotel Manager and the grand opening of Crowne Plaza Resort Saipan was held in October 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 hotel is uniquely positioned to capture the pent-up travel demand, to fight for its market share and to promote its F&B business.

Kanoa Resort

During the pandemic, Kanoa Resort assisted the CNMI Homeland Security and Emergency Management by providing its hotel rooms, facilities, and meal services to persons subject to the mandatory quarantine requirement upon their arrival in Saipan. In July 2022, the relevant emergency contract was completed, and Kanoa Resort remained closed during the Reporting Period. The Group is honored to have been able to offer its 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 Reporting Period, revenue from the Luxury Travel Retail Segment was US$3,472,000, representing a decrease of US$102,000 or 2.9% as compared to the preceding year of US$3,574,000. The slight decrease in revenue was mainly due to the business interruption caused by Typhoon Mawar on the Group's luxury travel retail boutiques in Guam.

From the start of 2023, the Group's luxury travel retail boutiques in Guam and Hawaii continued to operate under normal business hours on a daily basis. Having said that, all the Group's luxury travel retail boutiques in Guam were closed when Typhoon Mawar lashed Guam for a few hours on the night of May 24, 2023, damaging buildings, cutting electricity and access to water for most areas of Guam. The city underwent restoration, and the boutiques reopened in the week of June 26, 2023. On the other hand, two out of the Group's five luxury travel retail boutiques in Saipan continued to operate during the Reporting Period. The continuous closure of the remaining luxury travel retail boutiques in Saipan has effectively reduced the operating cost 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 the Reporting Period.

For the six months ended June 30, 2023, the negative segmental operating margin fluctuated in the same manner as the revenue. Depreciation and amortization expenses (non-cash items) recognized during the Reporting Period under the Luxury Travel Retail Segment was approximately US$255,000.

Destination Services Segment

During the Reporting Period, revenue from the Destination Services Segment was US$236,000, representing an increase of US$134,000 or 131.4% as compared to the preceding year. The increase in the revenue was mainly contributed by the resumption of operation of the Group's convenience store, which is located within the premises of Crowne Plaza Resort Saipan. The newly renovated convenience store occupies a more spacious retail area and offers hotel guests commodities in more varieties. On the other hand, the gradual business resumption of one of the Group's three excursion tours also contributed to the increase in revenue.

For the Reporting Period, the segmental loss of the Destination Services Segment was US$166,000, representing a slight decrease as compared to the preceding year. The management of the Group is cautiously optimistic that the performance of the Destination Services Segment could be improved upon the increase in the volume of transactions as a result of the progressive recovery of the tourist market.

III. MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the Reporting Period, 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 Reporting Period.

IV. SUBSEQUENT EVENTS

Various research showed that international tourism is well on its way to returning to pre-pandemic levels. During the first quarter of 2023, the recovery rate of international tourism in Asia-Pacific was 54% compared to pre-pandemic levels in 2019 as a result of further relaxation of arrival protocols by most destinations. It was anticipated that such upward trend will be further accelerated upon the re-opening of the borders of China. On August 10, 2023, the Ministry of Culture and Tourism of the People's Republic of China (the "**PRC**") announced the resumption of group tours to various overseas destinations, including the CNMI. The relevant circular noted that the operations of the outbound tourism market have been stable and orderly, playing a positive role in promoting tourism exchanges and cooperation. The Group's management is cautiously optimistic that Saipan will see the return of Chinese tourists in the foreseeable future. Nevertheless, it is also noted that the recovery rate may be affected by other factors such as economic slowdown and continued geopolitical uncertainty.

Subsequent to the end of the Reporting Period, the Group continues its efforts to shorten the ramp-up period of the two Crowne Plaza hotels, to fight for market share and to promote the hotels' F&B business. Century Hotel remains open for business whilst Kanoa Resort remains closed. The Group is in the process of carrying out planning and design works for the renovation and rebranding of Kanoa Resort in order for it to be reopened as "voco Resort Saipan" in the future.

All luxury travel retail boutiques in Guam and Hawaii have resumed daily operation under normal business hours on daily basis. Besides, two out of the Group's five luxury travel retail boutiques in Saipan continue to be open for business and another one will resume operation in late August 2023. This means that a total of three out of the Group's five luxury travel retail boutiques in Saipan is open for business after the end of Reporting Period. The remaining two luxury travel retail boutiques in Saipan remain closed pending visibility of tourists returning.

For Destination Services Segment, one convenience store located within the hotel premises of Crowne Plaza Resort Saipan and one of the Group's three excursion tours continue to be open for business. A new convenience store located within the hotel premises of Crowne Plaza Resort Guam will be open for business in July 2023. The remaining two of the Group's excursion tours remain closed pending visibility of tourists returning.

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

With the gradual resumption of most of the Group's business operations in the first half of 2023, the financial position of the Group remained healthy. The Group generally finances its operations with internally generated cash flows, proceeds from the Listing, shareholder's loans and external financing. As at June 30, 2023, the total amount of cash and bank deposits of the Group was approximately US$3,085,000, which is comparable to that as at December 31, 2022.

For the six months ended June 30, 2023, the Group continues to use internally generated cash flows, proceeds from the Listing and shareholder's loan to finance the renovation and upgrade works carried out to Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan. During the Reporting Period, the total capital expenditure for the asset rejuvenation plan was approximately US$6,270,000.

As at June 30, 2023, the Group had an interest-bearing term loan of US$43,000,000 (As at December 31, 2022: US$43,000,000) and a revolving loan of US$5,000,000 (As at December 31, 2022: US$5,000,000), 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$1,492,000 repayable in the first year, approximately US$4,158,000 repayable in the second year, approximately US$4,300,000 repayable in the third year, approximately US$26,609,000 repayable in the fourth year, and approximately US$6,441,000 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 and on June 30, 2023, Tan Holdings has confirmed to grant an extension of 2 years to the repayment term of this loan facility. On December 16, 2022, the Group entered into a second loan agreement with Tan Holdings for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 2 years from the date of the loan agreement. As at June 30, 2023, the full amount of this loan facility had been drawn down by the Company. Further, on February 28, 2023, the Group entered into a third loan agreement with Tan Holdings for a loan facility of US$8,000,000. The loan is unsecured, interest-bearing at 2% per annum and repayable in 2 years from the date of the loan agreement. As at June 30, 2023, the full amount of this loan facility had been drawn down by the Company.

Subsequent to the Reporting Period, the Group entered into a fourth loan agreement with Tan Holdings on August 1, 2023 for a loan facility of US$7,000,000. The loan is unsecured, interest-bearing at 5% 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 June 30, 2023.

The 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 periods and multiplied by 100%. As at June 30, 2023, the gearing ratio of the Group was 78.7% (2022: 64.7%).

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

VI. FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most of the transactions settled in United States Dollars ("**US$**"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at June 30, 2023, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US$. Therefore, the Group's foreign exchange risk is insignificant.

VII. FUTURE PLANS AND MARKET PROSPECTS

From the start of 2023, the swift recovery of international tourism industry in various sub-regions and destinations has shown tourism's unique ability to bounce back. In many places, especially the Middle East, Europe, Africa and Americas, the international visitor arrivals are close to or even above pre-pandemic levels. Despite tourism continuing to show its resilience, challenges ranging from the continued geopolitical uncertainty, staffing shortages and the extent of economic slowdown still prevail.

Being one of the key tourist origin markets of Guam, the return of tourists from South Korea is on track in 2023. Coupled with the support of U.S. military build-up, the recovery momentum of Guam is above par. Apart from South Korea, Japan is also one of the key tourist origin markets of Guam and, based on recent economic data, the economy of Japan is recovering moderately despite the fact that its currency stays weak. It is foreseeable that once the economy of Japan recovers to a satisfactory level, the government-backed National Travel Discount program targeted at the domestic travel market will come to an end and international travel sentiments will be regained.

For Saipan, the recovery of South Korea tourists is continuously picking up in 2023. Nevertheless, the recovery of the Chinese tourists is vital to the Saipan tourism sector. The reopening of China's border to 20 designated countries from the start of 2023 has made a big step in expediting the recovery of tourism in Asia and the Pacific as well as propelling the air-traffic resumption. With the recent announcement by the Ministry of Culture and Tourism of the PRC on August 10, 2023 regarding the resumption of group tours to various overseas destinations, including the CNMI, the Group's management is cautiously optimistic that Saipan will see the return of Chinese tourists in the foreseeable future. It is however noted that the resumption of flights between certain PRC cities with Saipan is pivotal to speed up the recovery. As of the date of this announcement, the Group's management is endeavoring to facilitate the process and is working with various airlines to prepare for the resumption of flights between certain PRC cities and Saipan.

Furthermore, Japan is a tourist origin market that the CNMI was targeting to reclaim before the COVID-19 pandemic. The breakout of COVID-19 back in early 2020 halted the resumption of the Japan market for the Saipan tourism sector. The Group's management remains hopeful that, with the gradual recovery of the economy in Japan, it is foreseeable that international travel sentiments will be regained.

Hotels & Resorts Segment

As of the date of this announcement, the Hotel Manager of Crowne Plaza Resort Guam and Crowne Plaza Resort Saipan continues to focus their efforts to shorten the ramp-up period for the two hotels, to fight for market share from the revival of the tourism markets and to promote the hotels' F&B business. Being the newest hotels in town, the Group's management is confident that the two Crowne Plaza hotels are uniquely positioned and capturing the pent-up travel demand in 2023.

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

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

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

Luxury Travel Retail Segment

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 Group to move to stronger retail spaces to improve the segmental profitability. As of the date of this announcement, the new 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 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 remaining 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 as a whole, the Group's management continues to explore possible merger and acquisition opportunities.

VIII. CONTINGENT LIABILITIES

As at June 30, 2023, the Group did not have any material contingent liabilities.

IX. EMPLOYEES AND EMOLUMENT POLICY

As at June 30, 2023, the Group had a total of 397 (as at June 30, 2022: 178) full-time employees, including 179 employed in Saipan, 205 employed in Guam, 9 employed in Hawaii and 4 employed in Hong Kong. During the Reporting Period, all luxury travel retail boutiques in Guam have 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 significant increase in the number of headcount as of June 30, 2023. As a responsible employer, the Group continues to value its employees and continues to strive to provide an excellent working environment. The Group has complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual directors and employees. During the Reporting Period, the total staff costs (including directors' emoluments) amounted to US$7,600,000 (for the six months ended June 30, 2022: US$1,798,000). The Company has adopted the Post-IPO Share Option Scheme on April 9, 2019 for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group. During the Reporting Period, no options were granted, exercised, cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at June 30, 2023.

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

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

XI. UPDATE ON THE USE OF PROCEEDS

The net proceeds from the Company's Listing was US$39,400,000 (equivalent to HK$307,320,000, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 and supplemented by the 2019 Annual Report, 2020 Annual Report, 2021 Annual Report and 2022 Annual Report published on April 17, 2020, April 16, 2021, April 23, 2022 and April 17, 2023, respectively. During the Reporting Period, US$4,308,000 of the net proceeds from the Listing had been utilized. Further details on minor changes regarding the timing for the use of proceeds from the Listing will be disclosed in the interim report of the Company for the Reporting Period. The following table sets forth the use of proceeds by the Group as at June 30, 2023:

	Net proceeds from Listing *US$'000*	**Utilization as at June 30, 2023** *US$'000*	**Unutilized amount** *US$'000*
Asset rejuvenation plan	29,555	29,555	—
New travel retail boutiques	2,000	2,000	—
IT upgrades	2,000	1,712	288
Digital sales and marketing	2,000	1,485	515
General working capital	3,945	3,945	—
Total [a]	39,400[b]	38,697	803[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.

XII. REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee of the Company consists of the Independent Non-Executive Directors, namely Mr. MA Andrew Chiu Cheung, Mr. CHAN Leung Choi Albert and Mr. WONG Chun Tat. Mr. MA Andrew Chiu Cheung is the Chairman of the Audit Committee.

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

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

XIII. INTERIM DIVIDEND

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

XIV. CORPORATE GOVERNANCE PRACTICES

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

XV. MODEL CODE

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

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

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

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

Hong Kong, August 23, 2023

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