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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1832)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

GROUP FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2019	2018
	US$'000	*US$'000*
Revenue	**98,699**	100,178
Operating profit	**10,580**	12,419
Profit attributable to owners of the Company	**10,100**	11,694
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**10.2%**	11.7%
Basic earnings per share *(US cents)*	**3.1**	4.3

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2019 (the "**Year**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	**2019** **US$'000**	2018 US$'000
Revenue	3	**98,699**	100,178
Cost of inventories sold	5	**(16,617)**	(15,839)
Food and beverage costs	5	**(6,337)**	(6,367)
Employee benefit expenses	5	**(24,962)**	(24,083)
Utilities, repairs and maintenance	5	**(7,000)**	(6,887)
Operating lease expenses	5	**—**	(5,411)
Short-term leases expenses	5	**(388)**	—
Variable lease payments	5	**(1,136)**	—
Other (losses)/gains, net	4	**(265)**	8
Operating and other expenses	5	**(31,414)**	(29,180)
Operating profit		**10,580**	12,419
Finance income	6	**427**	11
Finance costs	6	**(737)**	(11)
Finance costs, net	6	**(310)**	—
Profit before income tax		**10,270**	12,419
Income tax expense	7	**(95)**	(650)
Profit for the year		**10,175**	11,769
Other comprehensive income			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		**3**	—
Total comprehensive income for the year		**10,178**	11,769
Profit attributable to:			
Owners of the Company		**10,100**	11,694
Non-controlling interests		**75**	75
		10,175	11,769
Total comprehensive income attributable to:			
Owners of the Company		**10,103**	11,694
Non-controlling interests		**75**	75
		10,178	11,769
Earnings per share attributable to owners of the Company			
— Basic and diluted (US cents)	9	**3.1**	4.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**51,478**	38,202
Investment properties		**2,507**	2,622
Intangible assets		**357**	422
Deferred income tax assets		**2,035**	1,748
Deposits and prepayments		**681**	1,032
Financial asset at fair value through other comprehensive income		**507**	—
		57,565	44,026
Current assets			
Inventories		**8,290**	8,944
Trade receivables	10	**3,551**	4,138
Deposits, prepayments and other receivables		**2,668**	2,934
Amount due from the intermediate holding company		**—**	453
Amounts due from related parties		**50**	7,633
Income tax recoverable		**2,461**	2,967
Cash and cash equivalents		**56,602**	4,792
		73,622	31,861
Total assets		**131,187**	75,887
EQUITY			
Equity attributable to owners of the Company			
Share capital		**461**	—
Share premium		**38,122**	—
Capital reserve		**27,006**	27,006
Other reserve		**4,839**	4,809
Retained earnings		**31,801**	21,701
		102,229	53,516
Non-controlling interests		**1,357**	1,609
Total equity		**103,586**	55,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	**2019** *US$'000*	2018 *US$'000*
LIABILITIES			
Non-current liabilities			
Lease liabilities		**14,714**	—
Deferred income tax liabilities		**762**	956
		15,476	956
Current liabilities			
Trade and other payables	11	**9,086**	8,667
Contract liabilities		**413**	453
Lease liabilities		**2,481**	—
Amounts due to related parties		**70**	10,686
Income tax payable		**75**	—
		12,125	19,806
Total liabilities		**27,601**	20,762
Total equity and liabilities		**131,187**	75,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

S.A.I. Leisure Group Company Limited was incorporated in the Cayman Islands on October 18, 2018 as an exempted company with limited liability under the Companies Law Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands, and its principal place of business in Hong Kong is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in hotel and resort operations in Saipan and Guam, travel retail business of luxury and leisure clothing and accessories in Saipan, Guam and Hawaii and provision of destination services in Saipan (collectively, the "**Businesses**"). 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.

The Company has had its shares listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited since May 16, 2019 (the "**Listing Date**").

This consolidated financial statements are presented in United States dollars ("**US Dollars**" or "**US$**") and all values are rounded to the nearest thousand (US$'000), unless otherwise stated.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and disclosure requirements of the Companies Ordinance (Cap. 622 of the laws of Hong Kong). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through other comprehensive income, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following new and amended standards, improvements and interpretation for the first time for their annual reporting period commencing January 1, 2019:

Annual Improvements Project	Annual Improvements 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in note 2(c) below. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	January 1, 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	January 1, 2020
Amendments to HKFRS 3	Definition of a business	January 1, 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	January 1, 2020
HKFRS 17	Insurance contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the new and amended standards and interpretations when they become effective. Management is in the process of assessing the impact of these new and amended standards and interpretations to existing HKFRSs and none of these is expected to have a significant effect on the consolidated financial statements of the Group.

(c) Changes in accounting policies

HKFRS 16 Leases

The Group has adopted HKFRS 16 *Leases* retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

On adoption of HKFRS 16 *Leases*, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 4.1%.

(i) Practical expedients applied

In applying HKFRS 16 *Leases* for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review — there were no onerous contracts as at January 1, 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

(ii) Measurement of lease liabilities

	US$'000
Operating lease commitments disclosed as at December 31, 2018	29,541
Discounted using the lessee's incremental borrowing rate of at the date of initial application	19,098
(Less): short-term leases not recognized as a liability	(272)
Lease liability recognized as at January 1, 2019	18,826
Of which are:	
Current lease liabilities	2,331
Non-current lease liabilities	16,495
	18,826

(iii) Measurement of right-of-use assets

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the consolidated statement of financial position immediately before January 1, 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

(iv) Adjustments recognized in the consolidated statement of financial position on January 1, 2019

Consolidated statement of financial position (extract)	**December 31, 2018 (as previously presented)** *US'000*	**Effect of adoption of HKFRS 16** *US'000*	**January 1, 2019 (as restated)** *US'000*
Non-current assets			
Property, plant and equipment	38,202	19,230	57,432
Deposits and prepayments	1,032	(296)	736
Current assets			
Deposits, prepayments and other receivables	2,934	(108)	2,826
Non-current liabilities			
Lease liabilities	—	(16,495)	(16,495)
Current liabilities			
Lease liabilities	—	(2,331)	(2,331)

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16 *Leases*.

3 Segment information

The executive directors 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. The Group's businesses are managed according to the nature of their operations and the products and services they provide.

The CODM has identified 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 ("**Hotels & Resorts Segment**");

(b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii ("**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 ("**Destination Services Segment**").

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

The Group's CODM assesses the performance of the operating segments based on adjusted operating profit. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other (losses)/gains, net are not included in the result for each of the operating segment that is reviewed by the Group's CODM.

The segment information provided to the Group's CODM for the reportable segments for the Year are as follows:

	Year ended December 31, 2019				
	Hotels and Resorts	Luxury Travel Retail	Destination Services	Unallocated	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue					
Total segment revenue	64,891	30,312	3,676	—	98,879
Inter-segment revenue	(180)	—	—	—	(180)
Revenue from external customers	64,711	30,312	3,676	—	98,699
Segment results	12,659	690	238	(1,218)	12,369
Other losses, net					(265)
Listing expenses					(1,524)
Finance income					427
Finance costs					(737)
Profit before income tax					10,270
Income tax expense					(95)
Profit for the year					10,175
Profit for the year includes:					
Depreciation for property, plant and equipment	5,092	3,450	260	41	8,843
Depreciation for investment properties	115	—	—	—	115
Amortization for intangible assets	116	8	1	—	125
Provision for obsolete inventory	—	76	12	—	88
Provision of impairment of trade receivables	56	—	—	—	56
Capital expenditure	1,827	1,006	28	166	3,027

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018			
	Hotels and Resorts	Luxury Travel Retail	Destination Services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
Revenue				
Total segment revenue	66,793	28,979	4,602	100,374
Inter-segment revenue	(196)	—	—	(196)
Revenue from external customers	66,597	28,979	4,602	100,178
Segment results	13,521	468	939	14,928
Other gains, net				8
Listing expenses				(2,517)
Finance income				11
Finance costs				(11)
Profit before income tax				12,419
Income tax expense				(650)
Profit for the year				11,769
Profit for the year includes:				
Depreciation for property, plant and equipment	4,326	1,307	222	5,855
Depreciation for investment properties	113	—	—	113
Amortization for intangible assets	116	1	18	135
Provision for obsolete inventory	2	9	18	29
Reversal of impairment of trade receivables	(44)	—	—	(44)
Capital expenditure	2,497	738	139	3,374

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective group entities. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Geographical information

The amount of revenue from external customers broken down by geographical location is as follows:

	2019	2018
	US$'000	*US$'000*
Saipan	**55,486**	59,532
Guam	**36,882**	35,163
Hawaii	**6,331**	5,483
	98,699	100,178

The geographical location is based on the location at which the services were rendered or the goods delivered.

The non-current assets other than deferred income tax assets and financial instruments broken down by geographical location of the assets, are shown as below:

	2019	2018
	US$'000	*US$'000*
Saipan	**13,726**	13,801
Guam	**38,428**	27,835
Hawaii	**2,063**	4
Hong Kong	**125**	—
	54,342	41,640

Information about major customers

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

Revenue individually generated from the following customer contributed more than 10% of the total revenue of the Group:

	2019	2018
	US$'000	*US$'000*
Customer A	**10,994**	11,467

All other customers individually accounted for less than 10% of the Group's revenue for the Year.

(a) Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and at point in time in the following major product lines:

	2019	2018
	US$'000	*US$'000*
Room rentals	**44,073**	45,652
Food and beverage	**18,618**	18,886
Retailing		
— Luxury and leisure clothing and accessories	**30,312**	28,979
— Souvenirs and others	**1,501**	1,561
Operating excursion tours and rendering of land arrangement and concierge services	**2,175**	3,041
Other hospitality *(Note (i))*	**1,048**	939
Space rental income *(Note (ii))*	**972**	1,120
	98,699	100,178

Notes:

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

(ii) Space rental income mainly represents income from rental of our hotel premises.

	2019	2018
	US$'000	*US$'000*
Timing of revenue recognition:		
At point in time	**53,281**	52,530
Over time	**44,446**	46,528
	97,727	99,058
Revenue from other sources:		
Rental income	**972**	1,120
	98,699	100,178

(b) *Contract liabilities*

The Group has recognized the following revenue-related contract liabilities:

	2019	2018
	US$'000	*US$'000*
Contract liabilities related to hotel operation *(Note (i), (ii))*	**413**	453

Notes:

(i) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized in the respective year relating to carried-forward contract liabilities.

	2019	2018
	US$'000	*US$'000*
Revenue recognized that was included in the contract liabilities balance at the beginning of the year — hotel operation	**453**	421

(ii) Contract liabilities represent advanced payments received from customers for services that have not yet been performed to the customers. As at December 31, 2019, the contract liabilities mainly included the advanced payments received from individual customers for hotel services to be rendered after the end of respective reporting period.

The Group elected the practical expedient of not disclosing the amount of the transaction price allocated to remaining performance obligations, as the performance obligations are part of a contract that has an original expected duration of one year or less.

4 Other (losses)/gains, net

	2019	2018
	US$'000	*US$'000*
Net exchange losses	**(252)**	(2)
(Losses)/gains on disposal of property, plant and equipment	**(13)**	10
	(265)	8

5 Expenses by nature

	2019	2018
	US$'000	*US$'000*
Cost of inventories sold	**16,617**	15,839
Food and beverage costs	**6,337**	6,367
Employee benefit expenses	**24,962**	24,083
Utilities, repairs and maintenance	**7,000**	6,887
Operating lease expenses	**—**	5,411
Short-term leases expenses	**388**	—
Variable lease payments	**1,136**	—
Depreciation on property, plant and equipment	**8,843**	5,855
Depreciation on investment properties	**115**	113
Amortization on intangible assets	**125**	135
Other taxes and licenses	**4,857**	4,928
Supplies and tools	**3,117**	3,192
Shared-services expenses	**278**	1,198
Laundry expenses	**1,282**	1,342
Temporary labour costs	**605**	689
Commission expenses	**2,703**	2,522
Insurance expenses	**1,388**	1,122
Provision for/(reversal of) impairment of trade receivables	**56**	(44)
Provision for obsolete inventory	**88**	29
Auditors' remuneration		
— Audit services	**300**	—
— Non-audit services	**21**	—
Listing expenses	**1,524**	2,517
Hotel management fees	**248**	—
Other miscellaneous expenses	**5,864**	5,582
	87,854	87,767
Representing:		
Cost of inventories sold	**16,617**	15,839
Food and beverage costs	**6,337**	6,367
Employee benefit expenses	**24,962**	24,083
Utilities, repairs and maintenance	**7,000**	6,887
Operating lease expense	**—**	5,411
Short-term lease expenses	**388**	—
Variable lease payments	**1,136**	—
Operating and other expenses	**31,414**	29,180
	87,854	87,767

6 Finance costs, net

	2019	2018
	US$'000	*US$'000*
Finance costs:		
— Interest expense on lease liabilities	**(737)**	—
— Interest expense on borrowings	**—**	(11)
	(737)	(11)
Finance income:		
— Interest income from bank deposits	**417**	—
— Interest income from financial asset at fair value through other comprehensive income	**10**	—
— Interest income on loan to the intermediate holding company *(Note)*	**—**	11
	427	11
Finance costs, net	**(310)**	—

Note:

For the year ended December 31, 2018, the Group had bank borrowings of US$5,000,000 carrying an interest rate of 2.75% per annum. The proceeds from the bank borrowings were loaned to the intermediate holding company of the Company carrying the same interest rate per annum, and earned interest income accordingly.

7 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2019	2018
	US$'000	*US$'000*
Current tax		
United States corporate income tax	**576**	563
Deferred tax		
Origination and reversal of temporary differences	**(481)**	87
	95	650

The Group's subsidiaries incorporated in the Commonwealth of the Northern Mariana Islands ("**CNMI**"), Guam and Hawaii were subject to income tax rate of 21%.

Companies incorporated and operating in the CNMI are entitled to use their business gross receipt tax payments as tax credits in deriving the corporate income tax during the Year.

The CNMI legislation provides for income tax rebates with descending progressive percentages ranging from 90% to 50% on taxable income, after taking into account the utilization of the tax credit of business gross receipt tax.

For the Year, the CNMI and Guam entities in the Group filed tax returns on a consolidated basis with S.A.I. CNMI Tourism Inc. and S.A.I. Guam Tourism Inc., respectively.

8 Dividends

The Board has recommended the payment of a final dividend of US0.28 cent per share (equivalent to HK2.19 cents per share) (2018: Nil), amounting to an aggregate of approximately US$1,010,000 for the Year. The proposed final dividend for the Year is subject to approval by the shareholders of the Company ("**Shareholders**") in the forthcoming annual general meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

Dividends for the year ended December 31, 2018 of US$7,600,000 represented dividends declared by an operating subsidiary to the then owner of the Company prior to the reorganization of the Group prior to the Listing (the "**Reorganization**"). The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this announcement. The dividends were settled through current account with the intermediate holding company.

9 Earnings per share

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issuance of shares in connection with the Reorganization completed on November 16, 2018 and the shares issued pursuant to the capitalization issue prior to Listing were deemed to have been in issue since January 1, 2018.

	2019	2018
Profit attributable to owners of the Company *(US$'000)*	**10,100**	11,694
Weighted average number of ordinary shares in issue *(thousands)*	**326,712**	270,000
Basic earnings per share *(US cents)*	**3.1**	4.3

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at December 31, 2019 (2018: Nil).

10 Trade receivables

	2019	2018
	US$'000	*US$'000*
Trade receivables from third parties *(Note (a))*	**2,912**	3,196
Less: provision for impairment	**(216)**	(186)
	2,696	3,010
Amounts due from related parties *(Note (b))*	**855**	1,128
Total trade receivables, net	**3,551**	4,138

Notes:

(a) Trade receivables from third parties

The majority of the Group's sales are with credit terms of 30 days from the invoice date. As at December 31, 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**2,108**	2,471
31 to 60 days	**419**	451
61 to 90 days	**33**	90
Over 90 days	**352**	184
	2,912	3,196

(b) Amounts due from related parties

As at December 31, 2019, the amounts due from related parties are unsecured, interest-free and with credit terms of 30 days.

The ageing analysis of amounts due from related parties based on invoice date were as follows:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**782**	97
31 to 60 days	**6**	991
61 to 90 days	**18**	21
Over 90 days	**49**	19
	855	1,128

The maximum exposure to credit risk as at December 31, 2019 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

	2019	2018
	US$'000	*US$'000*
Trade payables		
— to third parties *(Note (a))*	**3,162**	2,930
— to related parties *(Note (b))*	**79**	88
Total trade payables	**3,241**	3,018
Accruals and other payables		
— Accrued staff salaries	**716**	582
— Other taxes payable	**1,088**	1,057
— Accruals for listing expenses	**282**	432
— Other accruals and payables	**3,522**	3,302
— Rental deposits received from customers	**237**	276
	5,845	5,649
	9,086	8,667

Notes:

(a) Trade payables to third parties

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

	2019	2018
	US$'000	*US$'000*
Within 30 days	**2,564**	2,410
31 to 60 days	**502**	394
61 to 90 days	**76**	56
Over 90 days	**20**	70
	3,162	2,930

(b) Amounts due to related parties

As at December 31, 2019, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

The ageing analysis of amounts due to related parties based on invoice date were are follows:

	2019	2018
	US$'000	*US$'000*
Within 30 days	**35**	54
31 to 60 days	**44**	34
	79	88

12 Events after the reporting period

Due to the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") in early 2020, a series of precautionary and control measures (including but not limited to travel bans) have been implemented by the government authorities around the world.

Since early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from the Group's key tourist origin markets. Coupled with the dampened global travel sentiment, there has been a sharp decline in the number of tourists travelling to Saipan and Guam.

Towards the end of March 2020, the governments of the CNMI and Guam have both implemented various measures to curb the spread of the COVID-19, which have further material impact on the Group's business operations.

The Group is experiencing significant decrease in (a) revenue derived from hotel room rentals and food and beverage in Saipan and Guam; (b) revenue derived from retail of luxury clothing and accessories in Saipan and Guam and (c) revenue derived from provision of destination service in Saipan. The Group is also experiencing longer inventories turnover time after the COVID-19 outbreak.

In late March 2020, the Group's management has made several decisions in respect of its business operations in order to mitigate the negative financial and operational impacts of COVID-19, including but not limited to the temporary closure of some of its hotels and all of its luxury travel retail boutiques in order to reduce operational costs.

Up to the date of this announcement, the impacts of the COVID-19 outbreak on the Group's realizability of inventories and the macro-economic conditions as a whole are still uncertain.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

The Group will closely monitor the development of the COVID-19 outbreak and the impact on the business, and will continue to assess its impact on the business operations and financial performance of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

2019 was a challenging year for Saipan. During the Year, the total number of tourist arrivals to Saipan has declined by 6% when compared to that of the preceding year. The Saipan community continues to recover in a steady pace after the sweep of Super Typhoon Yutu in October 2018. Damage to the facilities of Saipan International Airport severely impacted air travels and tremendously reduced the number of tourist arrivals to Saipan during the first half of the Year.

South Korea is one of the largest sources of overseas tourists in Saipan. After Super Typhoon Yutu struck, the number of tourist arrivals from South Korea once dropped by 50%. However, with the gradual resumption of routine flight schedules by certain airlines in the second quarter of the Year, the number of tourist arrivals from South Korea steadily restored and had an overall increase of 4% when compared to the preceding year. On the other hand, the launch of daily direct flights between Japan and Saipan by a Japanese carrier at the end November 2019 marked the return of tourists from the Japan market. During the Year, the Marianas Visitors Authority ("**MVA**") has prioritized marketing and promotion strategies locally in Japan, which enticed more Japanese travelers to spend their holidays on the Pacific islands. Meanwhile, the Sino-US tension in 2019 weakened the travel sentiment of tourists from mainland China during the Year. In addition, the unrest in Hong Kong has created reluctance for travelers from South China to fly to Saipan via Hong Kong. As a result, the number of tourist arrivals from mainland China has dropped by 14.1%, hence reducing the overall number of tourist arrivals to Saipan during the Year.

On the contrary, 2019 was a fruitful year for Guam. With the rise of low-cost carriers, the tourist origin markets for Guam continued to diversify. Guam had attained a record-breaking number of tourist arrivals with over 1.6 million tourists during the Year. The recovery of the Japan market contributed a big portion to the rise of the tourist arrivals number and together with South Korea, the two countries became the largest sources of overseas tourists in Guam. The upturn in tourist arrivals vitalized both the hospitality industry and the retail industry across the territory.

Revenue and Operating Profit

For the Year, the Group recorded a revenue of US$98.7 million, representing a decrease of US$1.5 million or 1.5% from US$100.2 million in the preceding year. The total revenue from our Saipan businesses across the three business segments (Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment) dropped by US$4.0 million as a result of the decline in the number of tourist arrivals to Saipan. Such downturn was offset by the progressive performance of our Guam and Hawaii businesses which contributed a growth in revenue of US$1.7 million and US$0.8 million, respectively.

The operating profit of the Group for the Year was US$10.6 million, representing a decrease of US$1.8 million when compared to the preceding year. The segment margin of our Hotels & Resorts Segment was reduced by 0.7% due to the lowering of the average room rate of our Saipan hotels. The Luxury Travel Retail Segment has achieved an improving segment margin, which marked our continuous effort in improving the profit margin of the business. Furthermore, the segment margin of our Destination Services Segment was also abated by US$0.7 million as a result of the decline in tourist arrivals to Saipan and the competition with unregulated travel agencies, who have introduced over-discounted activity options to the market.

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 65.6%, 30.7% and 3.7% of the Group's total revenue for the Year respectively.

Hotels & Resorts Segment

During the Year, revenue generated from the Hotels & Resorts Segment was approximately US$64.7 million, representing a decrease of 2.8% as compared with the revenue of US$66.6 million in the preceding year. Segment margin dropped by 0.7% as a result of reduced revenue and such decrease was mainly contributed by our hotels in Saipan.

Saipan

The impression of Super Typhoon Yutu's serious damage to the airport facilities and the community dampened the travel sentiment to Saipan during the Year. With the decrease in the number of tourist arrivals to Saipan, the average room rate of our hotels was lowered by 3.6% as compared to the preceding year in order to maintain our hotels' competitiveness and thus lowered both the revenue and the segment margin.

Guam

For the Year, the revenue from Fiesta Resort Guam increased by 3.8% as compared to the preceding year as a result of enhanced room rate after the hotel became part of the InterContinental Hotels Group ("**IHG**") distribution system. IHG has taken over the management of the hotel with effect from mid-October 2019. As such, the hotel's room rates of the hotel for the last two months of the Year have increased by 7.1% and 11.5% respectively, when compared to that of the same months in the preceding year.

Despite the fact that service and management fees were paid or payable to IHG under the relevant Hotel Management Agreement, the segment margin of Fiesta Resort Guam remained stable as compared to the preceding year. The Group benefits from the use of IHG's booking engines and enjoys IHG's marketing and operational support. Strategies are adjusted to optimize our sales channels and business mix, which grows our average room rate, enhances customers' loyalty and reduces the cost of sales and reliance on wholesales agents.

Luxury Travel Retail Segment

During the Year, revenue from the Luxury Travel Retail Segment was US$30.3 million, representing an increase of 4.5% as compared to US$29.0 million in the preceding year. The increase was mainly contributed by (1) an increase in revenue of US$1.0 million as a result of increased tourist arrivals to Guam from Japan and South Korea, who have higher spending power; and (2) an increase in revenue of US$0.8 million from our three boutiques in Hawaii operating under an American leisure accessories brand. After we acquired the Hawaii business with five boutiques in April 2018, we ceased the operation of two of the boutiques in May 2019 upon the expiry of their leases for commercial reasons. The improved results of Guam and Hawaii were partially offset by the slight downturn in Saipan due to the carryover of the impacts of Super Typhoon Yutu.

The segment profit margin of the Luxury Travel Retail Segment increased by 0.7% as compared to the preceding year, marking our continuous effort in improving the profit margin of the business. Segment profits by geographical location fluctuated in the same manner as the revenue during the Year.

During the Year, we have successfully launched new boutiques under a French luxury fashion brand in Saipan and Guam.

Destination Services Segment

During the Year, revenue from the Destination Services Segment was US$3.7 million, representing a decrease of US$0.9 million or 19.6% as compared with US$4.6 million in the preceding year. The decrease was mainly due to the decline in the number of tourist arrivals to Saipan and the competition with unregulated travel agencies, who have introduced over-discounted activity options to the market. The segment profit fluctuated in the same manner as the revenue during the Year.

Acquisitions

The luxury travel retail business is one of the principal activities of the Group. In order to enlarge the Group's equity interests and control in its luxury travel retail business, which saw a consistent revenue growth following its expansion in Saipan, Guam and Hawaii, on September 3, 2019, S.A.I. CNMI Tourism Inc. ("**S.A.I. CNMI Tourism**") and S.A.I. Guam Tourism Inc. ("**S.A.I. Guam Tourism**"), both wholly-owned subsidiaries of the Company, entered into sale and purchase agreements ("**SPAs**") with Mr. Hawes Richard Mark, a connected person of the Group at subsidiary level, to acquire 5% of the issued share capital in each of Gemkell (Saipan) Corporation ("**Gemkell Saipan**") and Gemkell Corporation ("**Gemkell Guam**"), respectively ("**Acquisitions**") at a cash consideration of US$300,000 in aggregate.

Upon completion of the Acquisitions, both Gemkell Saipan and Gemkell Guam are each held as to 80% indirectly by the Company through S.A.I. CNMI Tourism and S.A.I. Guam Tourism and as to 20% by Mr. Hawes. Each of Gemkell Saipan and Gemkell Guam continues to constitute a subsidiary of the Company.

Having taken into account factors such as market outlook and future earnings potentials, the Board believes that the Acquisitions are in the interests of the Company and the Shareholders as a whole.

Details of the SPAs and the Acquisitions contemplated thereunder have been disclosed in the announcement of the Company dated September 3, 2019.

Subsequent Events

Since the outbreak of COVID-19 in early 2020, a series of precautionary and control measures (including but not limited to travel bans) have been implemented by government authorities around the world.

Since early February 2020, such measures have caused the suspension or reduction of flights to/from Saipan and Guam, including flights from our key tourist origin markets. Coupled with the dampened global travel sentiment, there has been a sharp decline in the number of tourists travelling to Saipan and Guam. Since then, the Group has implemented various cost-cutting measures in respect of our hotels and resorts business operations, including the reduction of headcount, managing the opening hours of restaurants and bars and reducing operational expenses where possible.

Towards the end of March 2020, the governments of the CNMI and Guam have both implemented various measures to curb the spread of the COVID-19, which have further impact on the Group's business operations:

— In Saipan, government measures include but are not limited to mandatory 14-day self-quarantine for all persons travelling into the CNMI, limitation of opening hours for businesses with facilities open to the general public (only allowed from 6:00 a.m. to 1:00 p.m.), and restriction on dine-in services for restaurants. While room accommodation can still be provided, hotel restaurants can only provide room service and take-out. As of the date of this announcement, the Governor of the CNMI has ordered the relevant measures to be in force until April 14, 2020 unless otherwise lifted.

— In Guam, government measures include but are not limited to mandatory 14-day quarantine for travelers from countries with confirmed cases of COVID-19, closure of places of business or public accommodation, and prohibition of gatherings in all public venues including restaurants and bars. As of the date of this announcement, the Governor of Guam has ordered the relevant measures to be in force until April 13, 2020, subject to the development of the situation.

In late March 2020, the Group's management has made several major decisions in respect of its business operations in order to mitigate the negative financial and operational impacts of COVID-19, including but not limited to the following:-

— Hotels & Resorts Segment: The temporary suspension of operation of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel with effect from March 29, 2020, April 2, 2020 and March 29, 2020 respectively, until further notice.

— Luxury Travel Retail Segment: The temporary suspension of operation of all luxury travel retail boutiques in Saipan, Guam and Hawaii with effect from March 23, March 20 and March 23, 2020, respectively, until further notice.

— Destination Services Segment: The temporary suspension of destination services in Saipan with effect from March 29, 2020, until further notice.

As the duration of the COVID-19 outbreak is uncertain, the extent of its impact on the Group's operations and financial performance cannot be determined as at the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and make further announcement(s) as and when necessary.

Future Plans and Market Prospects

The global tourism industry faces significant challenge in 2020 due to the impact of the outbreak of COVID-19.

Hotels & Resorts Segment

As mentioned above, we have decided to temporarily suspend operations of Fiesta Resort Saipan, Fiesta Resort Guam and Century Hotel. Management will closely monitor the situation and will reopen our hotels as soon as the virus is under better control locally and when the local regulations and market conditions allow us to reopen.

In respect of our Kanoa Resort in Saipan, the Group has entered into an emergency contract with the CNMI Homeland Security and Emergency Management on March 25, 2020 to provide all of its hotel rooms, facilities and meal services to persons subject to the mandatory 14-day quarantine requirement upon their arrival in Saipan. Under the emergency contract, the Group will receive various fees for the services to be provided to the government of the CNMI. The contract will last for 90 days from the date of signing of the emergency contract, subject to adjustment by the CNMI Homeland Security and Emergency Management. The Company expects that revenue from Kanoa Resort during the period of the emergency contract will not be lower than that of the same period in the preceding year.

Depending on the development of the COVID-19 outbreak, the CNMI Homeland Security and Emergency Management may also require the services of Century Hotel. If so, the Group may enter into an emergency contract similar to that for Kanoa Resort in respect of Century Hotel.

As of the date of this announcement, we expect the leisure travel market to gradually resume in the third quarter of 2020. We hope to take advantage of a potentially strong recovery of the market due to people's general pent-up desire to travel, and we plan to aggressively market ourselves in our target customer markets.

In Saipan, we are in close contact with the MVA to be ready to kick-start marketing campaigns in our tourist origin markets as soon as we have visibility on the market resumption. In the meantime, prior to the resumption of the suspended and/or reduced flights, we will maintain close communication with all agents in our target customer markets to ensure that our product information and offers are made available to consumers and thus ensure a successful business restoration towards the end of 2020.

In Guam, competition within the hospitality industry is particularly intensive with the presence of numerous internationally chained competitors. Leveraging on the extensive hotel management experiences, membership program and loyalty customer base, as well as the brand recognition of IHG among our major target customer markets, our collaboration with IHG bolstered our reasonable share from the dynamic market during the Year. During the outbreak of COVID-19, our partnership with IHG has demonstrated its strength in revenue management and distribution channels, and we will continue to optimize these as the leisure travel market resumes.

The planning of our Fiesta Resort Guam renovation project is ongoing, and the construction will start in mid-2020. We are on track to rebrand our Fiesta Resort Guam to Crowne Plaza Guam by the end of the second quarter of 2021.

Luxury Travel Retail Segment

Before the outbreak of COVID-19, with the revival of the Japan market and the increasing tourist arrival numbers from South Korea, our Luxury Travel Retail Segment started year 2020 nicely with a better clientele in both Saipan and Guam.

After the outbreak of COVID-19, as mentioned above, we have decided to temporarily suspend operations of all luxury travel retail boutiques in Saipan, Guam and Hawaii. Management will closely monitor the situation and will reopen our boutiques as soon as the virus is under better control locally and when the local regulations and market conditions allow us to reopen.

In order to bolster our revenue source when the market resumes in the third quarter of 2020, the Group plans to look for expansion opportunities. In order to expand our footprint in Hawaii, management is seeking to identify strong retail spaces with good adjacencies and reasonable rental conditions for new retail stores. For Guam, management believes that the Group can improve profitability with an expansion into stronger retail spaces and thus lifting operating margins. As for Saipan, management believes that enhancing customers' overall shopping experience is another means of maximizing sales level.

Management will continue to seek to exercise better control over operating costs where possible and improve the operating margin of the business.

Other plans and prospects

On the other hand, in order to maintain our Group's long-term growth and for the best interests of our Shareholders, the Group's management will actively explore possible merger and acquisition opportunities. The Group's management believes that the downturn of the macro-economy as a result of the recent COVID-19 outbreak would increase the availability of favorable merger and acquisition deals in the market.

Investor Relations and Communications

The Group acknowledges the importance of communication with our Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews. Each year, an annual general meeting will be called by giving not less than 20 clear business days' notice and directors of the Company ("**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 on a timely basis.

Contingent Liabilities

As at December 31, 2019 and 2018, the Group did not have any material contingent liabilities.

Liquidity, Financial Resources and Capital Structure

The financial position of the Group was strong during the Year. The Group generally finances its operations with internally generated cash flows. As at December 31, 2019, the total amount of cash and bank deposits of the Group was approximately US$56.6 million, representing an increase of approximately US$51.8 million as compared to that as at December 31, 2018. Listing proceeds of US$37.4 million have not been utilized and was included in the cash and bank deposits as of the end of the Year. As at December 31, 2019 and 2018, our Group has zero interest-bearing bank borrowings.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of the respective year and multiplied by 100%. As at December 31, 2019, the gearing ratio of the Group was not applicable as the Group did not have any interest-bearing liabilities (2018: Nil). The capital structure of the Group only consists of equity attributable to owners of the Company as shown in the consolidated statement of financial position.

Charge on Assets

As at December 31, 2019 and 2018, the Group had aggregate banking facilities of US$11.0 million and US$11.0 million respectively, which was secured by certain buildings and investment properties owned by the Group. As all of our banking facilities were unutilized, unutilized facilities at the end of each reporting year amounted to US$11.0 million and US$11.0 million respectively.

Foreign Exchange Risk Management

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in 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, 2019, 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, 2019, the Group had a total of 746 (2018: 761) full-time employees, including 523 employed in Saipan, 200 employed in Guam, 19 employed in Hawaii and 4 employed in Hong Kong. As a responsible employer, the Group values our employees as our most important asset and strives to provide an excellent working environment to our employees. 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 US$25.0 million (2018: US$24.1 million). On April 9, 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF PROCEEDS FROM LISTING

The net proceeds from the Company's Listing was US$39.4 million (equivalent to HK$307.4 million, 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. During the period from the Listing Date to the end of the Year (the "**Period**"), US$2.0 million of the net proceeds from the Listing had been utilized. Currently, the Group holds the unutilized net proceeds as deposit with creditworthy banks with no recent history of default. Further details on the use of proceeds from the Listing will be disclosed in the annual report of the Company for the Year.

CORPORATE GOVERNANCE PRACTICES

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

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

AUDIT COMMITTEE

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

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

THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the Year as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

No interim dividend (2018: Nil) was declared during the Year. The Board has recommended the payment of a final dividend of US0.28 cent (or equivalent to HK2.19 cents) per share (2018: Nil) in respect of the Year, totalling approximately US$1,010,000. Subject to the approval of the Shareholders at the annual general meeting of the Company to be held on June 2, 2020 ("**AGM**"), the final dividend is expected to be distributed on June 17, 2020 to Shareholders whose names appear on the register of members of the Company on June 10, 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' right to attend and vote at the AGM, the register of members of the Company will be closed from May 28, 2020 to June 2, 2020 (both days inclusive), during which period no transfers of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on May 27, 2020.

Subject to the passing of the resolution to declare the final dividend at the forthcoming AGM, the Register of Members of the Company will also be closed from June 8, 2020 to June 10, 2020 (both day inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the AGM of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on June 5, 2020.

PUBLIC FLOAT

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

PUBLICATION OF ANNUAL REPORT

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

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

Hong Kong, March 26, 2020

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