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 30 JUNE 2019

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**49,543**	50,585
Operating profit	**5,874**	7,531
Profit attributable to owners of the Company	**5,534**	7,092
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**11.2%**	14%
Basic earnings per share *(US cents)*	**2.0**	2.6

The board of directors (the "**Board**") of S.A.I. Leisure Group Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

		Six months ended June 30,	
		2019	2018
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**49,543**	50,585
Cost of inventories sold	6	**(8,030)**	(7,852)
Food and beverage costs	6	**(3,319)**	(3,339)
Employee benefit expenses	6	**(11,834)**	(12,093)
Utilities, repairs and maintenance	6	**(3,083)**	(3,585)
Operating lease expenses	6	**(1,364)**	(2,445)
Other (losses)/gains, net	5	**(253)**	—
Operating and other expenses	6	**(15,786)**	(13,740)
Operating profit		**5,874**	7,531
Finance income	7	**83**	11
Finance costs	7	**(375)**	(11)
Finance costs, net	7	**(292)**	—
Profit before income tax		**5,582**	7,531
Income tax expense	8	**(67)**	(385)
Profit and total comprehensive income for the period		**5,515**	7,146
Profit/(loss) and total comprehensive income/(loss) attributable to:			
Owners of the Company		**5,534**	7,092
Non-controlling interests		**(19)**	54
		5,515	7,146
		US cents	*US cents*
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	**2.0**	2.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	**As at June 30, 2019** ***US$'000*** **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**54,070**	38,202
Investment properties		**2,564**	2,622
Intangible assets		**362**	422
Deferred income tax assets		**1,823**	1,748
Deposits and prepayments		**849**	1,032
		59,668	44,026
Current assets			
Inventories		**9,469**	8,944
Trade receivables	11	**4,231**	4,138
Deposits, prepayments and other receivables		**3,148**	2,934
Amount due from the intermediate holding company		**—**	453
Amounts due from related parties		**355**	7,633
Income tax recoverable		**3,008**	2,967
Cash and cash equivalents		**46,313**	4,792
		66,524	31,861
Total assets		**126,192**	75,887
EQUITY			
Equity attributable to owners of the Company			
Share capital		**461**	—
Share premium		**38,122**	—
Merger reserve		**27,006**	27,006
Other reserve		**4,809**	4,809
Retained earnings		**27,235**	21,701
		97,633	53,516
Non-controlling interests		**1,590**	1,609
Total equity		**99,223**	55,125

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	Note	**As at June 30, 2019** ***US$'000*** **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**15,701**	—
Deferred income tax liabilities		**851**	956
		16,552	956
Current liabilities			
Trade and other payables	12	**7,656**	8,667
Contract liabilities		**282**	453
Lease liabilities		**2,135**	—
Amounts due to related parties		**261**	10,686
Income tax payable		**83**	—
		10,417	19,806
Total liabilities		**26,969**	20,762
Total equity and liabilities		**126,192**	75,887

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

S.A.I. Leisure Group Company Limited (the "**Company**") 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 is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are 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. The immediate holding company and intermediate holding company of the Company is THC Leisure Holdings Limited ("**THC Leisure**") and Tan Holdings Corporation ("**Tan Holdings**"), respectively.

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

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 of Directors on August 26, 2019.

This condensed consolidated interim financial information has been reviewed, not audited.

2 Basis of preparation

The unaudited condensed consolidated interim financial information 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 ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Group's unaudited condensed consolidated interim financial information should be read in conjunction with the Company's prospectus dated April 30, 2019 (the "**Prospectus**").

The preparation of this condensed consolidated interim financial information is in conformity with HKAS 34 which requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported the amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Prospectus.

3 New accounting standards and accounting changes

The accounting policies and methods of computation used in preparing this condensed consolidated interim financial information are consistent with those followed in preparing the Prospectus, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) which are effective for accounting periods beginning on or after January 1, 2019.

Annual Improvements Project	Annual Improvements 2015–2017 Cycle
Amendments to HKFRS 9	Prepayment features with negative compensation
Amendments to HKFRS 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

Other than as explained below regarding the impact of HKFRS 16 Leases, the new HKFRSs has had no significant financial impact on the condensed consolidated interim financial information. The nature and impact of the HKFRS 16 are described as below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK (SIC)-Int 15 Operating Leases — Incentives and HK (SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the initial application from January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at January 1, 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, retail stores, offices and warehouse. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at January 1, 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and presented separately in the condensed consolidated statement of financial position as at June 30, 2019.

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 condensed 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. Right-of-use assets are included in the line item of property, plant and equipment.

The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

Condensed consolidated statement of financial position (extract)	**As at December 31, 2018 (as previously presented)**	**Effect of adoption of HKFRS 16**	**As at January 1, 2019 as restated**
	US'000	*US'000*	*US'000*
	(Audited)	(Unaudited)	(Unaudited)
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)

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 is as follows:

	US$'000 **(Unaudited)**
Operating lease commitments disclosed as at December 31, 2018	29,541
Weighted average incremental borrowing rate as at January 1, 2019	4.1%
Discounted operating lease commitments at January 1, 2019	19,098
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before December 31, 2019	(272)
Lease liability recognized as at January 1, 2019	**18,826**

Summary of new accounting policies

The accounting policy for leases as disclosed in the Prospectus is replaced with the following new accounting policies upon adoption of HKFRS 16 from January 1, 2019:

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

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

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

4 Segment and revenue information

The executive directors have been identified as the Group's chief operating decision-maker ("**CODM**"). The Group's 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) Hotel and resorts: operation of hotels and leasing of commercial premises located within the hotel premises in Saipan and Guam;

(b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii;

(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 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)/gain, 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 periods ended June 30, 2019 and 2018 are as follows:

	For the six months ended June 30, 2019			
	Hotel and resorts	**Luxury travel retail**	**Destination services**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue				
Total segment revenue	**33,067**	**14,707**	**1,860**	**49,634**
Inter-segment revenue	**(91)**	**—**	**—**	**(91)**
Revenue from external customers	**32,976**	**14,707**	**1,860**	**49,543**
Timing of revenue recognition				
At a point in time	**10,350**	**14,707**	**1,639**	**26,696**
Over time	**22,116**	**—**	**221**	**22,337**
Revenue from other source	**510**	**—**	**—**	**510**
	32,976	**14,707**	**1,860**	**49,543**
Segment results	**7,223**	**327**	**210**	**7,760**
Unallocated corporate expenses				**(144)**
Listing expenses				**(1,489)**
Other losses, net				**(253)**
Finance income				**83**
Finance costs				**(375)**
Profit before income tax				**5,582**
Income tax expense				**(67)**
Profit for the period				**5,515**

	For the six months ended June 30, 2019			
	Hotel and resorts	**Luxury travel retail**	**Destination services**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Profit for the period includes:				
Depreciation for property, plant and equipment	**2,511**	**1,640**	**129**	**4,280**
Depreciation for investment properties	**58**	**—**	**—**	**58**
Amortization for intangible assets	**58**	**1**	**1**	**60**
Provision for obsolete inventory	**8**	**21**	**6**	**35**
Provision for impairment of trade receivables	**28**	**—**	**—**	**28**
Additions of property, plant and equipment	**790**	**275**	**23**	**1,088**

	For the six months ended June 30, 2018			
	Hotel and resorts	Luxury travel retail	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Total segment revenue	34,243	13,923	2,544	50,710
Inter-segment revenue	(95)	—	(30)	(125)
Revenue from external customers	34,148	13,923	2,514	50,585
Timing of revenue recognition				
At a point in time	10,453	13,923	2,045	26,421
Over time	23,132	—	469	23,601
Revenue from other source	563	—	—	563
	34,148	13,923	2,514	50,585

	For the six months ended June 30, 2018			
	Hotel and resorts	Luxury travel retail	Destination services	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment results	7,046	248	604	7,898
Listing expenses				(367)
Finance income				11
Finance costs				(11)
Profit before income tax				7,531
Income tax expense				(385)
Profit for the period				7,146
Profit for the period includes:				
Depreciation for property, plant and equipment	2,146	604	123	2,873
Depreciation for investment properties	57	—	—	57
Amortization for intangible assets	58	1	8	67
Provision for obsolete inventory	2	6	7	15
Additions of property, plant and equipment	1,571	597	43	2,211

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 condensed consolidated statements of comprehensive income.

5 Other (losses)/gains, net

	Six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Other (losses)/gains, net		
Net exchange (losses)/gains	**(251)**	2
Losses on disposal of property, plant and equipment	**(2)**	(2)
	(253)	—

6 Expenses by nature

	Six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**8,030**	7,852
Food and beverage costs	**3,319**	3,339
Employee benefit expenses	**11,834**	12,093
Utilities, repairs and maintenance	**3,083**	3,585
Operating lease expenses	**1,364**	2,445
Depreciation on property, plant and equipment	**4,280**	2,873
Depreciation on investment properties	**58**	57
Amortization on intangible assets	**60**	67
Other taxes and licenses	**2,486**	2,470
Supplies and tools	**1,523**	1,528
Shared-services expenses	**133**	674
Laundry expenses	**614**	744
Temporary labour costs	**317**	393
Commission expenses	**1,110**	1,323
Insurance expenses	**657**	478
Provision for impairment of trade receivables	**28**	—
Provision for obsolete inventory	**35**	15
Listing expenses	**1,489**	367
Other miscellaneous expenses	**2,996**	2,751
	43,416	43,054

	Six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Representing:		
Cost of inventories sold	**8,030**	7,852
Food and beverage costs	**3,319**	3,339
Employee benefit expenses	**11,834**	12,093
Utilities, repairs and maintenance	**3,083**	3,585
Operating lease expenses	**1,364**	2,445
Operating and other expenses	**15,786**	13,740
	43,416	43,054

7 Finance costs, net

	Six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Finance costs:		
— Interest expense on lease liabilities	**(375)**	—
— Interest expense on borrowings	**—**	(11)
	(375)	(11)
Finance income:		
— Interest income from bank deposits	**83**	—
— Interest income on loan to the intermediate holding company	**—**	11
	83	11
Finance costs, net	**(292)**	—

8 Income tax expense

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

	Six months ended June 30,	
	2019	2018
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current tax		
United States corporate income tax	**247**	483
Deferred tax		
Origination and reversal of temporary differences	**(180)**	(98)
	67	385

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 six months ended June 30, 2019 and 2018.

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 six months ended June 30, 2019, the CNMI and Guam entities comprising the Group are allowed to file the tax return on a consolidated basis with S.A.I. CNMI Tourism Inc. and S.A.I. Guam Tourism Inc., respectively.

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 periods. 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 (as defined in the Prospectus) were deemed to have been in issue since January 1, 2018.

	Six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (US$'000)	**5,534**	7,092
Weighted average number of ordinary shares in issue (thousands)	**281,342**	270,000
Basic earnings per share (US cents)	**2.0**	2.6

(b) Diluted

Diluted earnings per share for the six months ended June 30, 2019 and 2018 is the same as the basic earnings per share as there was no potential dilutive ordinary shares outstanding during the periods.

10 Dividends

No dividend has been paid or declared by the Company for the six months ended June 30, 2019 and 2018.

11 Trade receivables

	As at June 30, 2019 US$'000 (Unaudited)	As at December 31, 2018 US$'000 (Audited)
Trade receivables from third parties *(Note a)*	**2,933**	3,196
Less: provision for impairment	**(214)**	(186)
	2,719	3,010
Amounts due from related parties *(Note b)*	**1,512**	1,128
Total trade receivables, net	**4,231**	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 June 30, 2019 and December 31, 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at June 30, 2019 US$'000 (Unaudited)	As at December 31, 2018 US$'000 (Audited)
Within 30 days	**2,138**	2,471
31 to 60 days	**306**	451
61 to 90 days	**102**	90
Over 90 days	**387**	184
	2,933	3,196

(b) Amounts due from related parties

As at June 30, 2019 and December 31, 2018, 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:

	As at June 30, 2019 *US$'000* **(Unaudited)**	As at December 31, 2018 *US$'000* (Audited)
Within 30 days	**98**	97
31 to 60 days	**1,414**	991
61 to 90 days	**—**	21
Over 90 days	**—**	19
	1,512	1,128

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$.

12 Trade and other payables

	As at June 30, 2019 US$'000 (Unaudited)	As at December 31, 2018 US$'000 (Audited)
Trade payables		
— to third parties *(Note a)*	**2,637**	2,930
— to related parties *(Note b)*	**89**	88
Total trade payables	**2,726**	3,018
Accruals and other payables		
— Accrued staff salaries	**441**	582
— Other taxes payable	**959**	1,057
— Accruals for listing expenses	**513**	432
— Other accruals and payables	**2,751**	3,302
— Rental deposits received from customers	**266**	276
	4,930	5,649
	7,656	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:

	As at June 30, 2019	As at December 31, 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 30 days	**2,447**	2,410
31 to 60 days	**34**	394
61 to 90 days	**126**	56
Over 90 days	**30**	70
	2,637	2,930

(b) Amounts due to related parties

As at June 30, 2019 and December 31, 2018, 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:

	As at June 30, 2019	As at December 31, 2018
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 30 days	**89**	54
31 to 60 days	**—**	34
	89	88

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Bouncing back from an 88 percent drop in tourists arrival to Saipan in November 2018, the tourists arrival gradually upturn starting 2019. While the Group's hotels and businesses in Saipan resumed to normal operations quickly after the sweep of Super Typhoon Yutu without any significant damage to our properties, recovery from Yutu continues at a steady pace in the Saipan community. The tourism business environment in Saipan remained challenging in the first half of 2019 considering the decrease in the tourists arrival, resulted from certain airline temporarily reducing their aircraft size and thus the available seats, whilst some airlines resuming their routine flight schedules to Saipan only in the second quarter of 2019.

On the contrary, Guam starts 2019 with a record-breaking visitor arrivals record. For the six months ended June 30, 2019, the total tourists arrival to Guam has an overall 5.0% increase when compared with the same period last year. A distinct upturn of arrivals was mainly contributed by the recovery of Japan market, which was partly beneficial from the launch of the airline incentive program by the Guam Visitors Bureau (the "**GVB**") and the Guam International Airport Authority ("**GIAA**").

During the Reporting Period, the Group recorded revenue amounted to US$49.6 million, representing a decrease of 2.0% compared with the previous corresponding period of US$50.6 million. The slight decrease in revenue was mainly due to the decrease in the total tourists arrival in Saipan for the first half of 2019, which in turn affected the occupancy rate of our hotels and resorts and our revenue from the Destination Services Segment.

For the six months ended June 30, 2019, the operating profit of the Group decreased by US$1.6 million to US$5.9 million. Such decrease was mainly due to the inclusion of US$1.5 million Listing expenses for the six months ended June 30, 2019 as compared to US$0.4 million Listing expenses incurred for the previous corresponding period. Furthermore, the decrease in the tourists arrival to Saipan had an adverse impact to the business of the Destination Services Segment, which hit the operating profit of relevant segment by US$0.4 million. Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

II. SEGMENTAL REVIEW

Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 66.6%, 29.6% and 3.8% respectively of the Group's total revenue for the period under review.

Hotels & Resorts Segment

For the first half of 2019, revenue generated from the Hotels & Resorts Segment was US$33.0 million, representing a decrease of 3.5% as compared with the revenue of the previous period of US$34.2 million. The decrease was mainly due to the drop in the total tourists arrival to Saipan, which in turn reduced the occupancy rate of the hotels.

Despite the slight decrease in the segment revenue, the segment profit of the Hotels & Resorts Segment for the Reporting Period remained stable as compared with the same period last year as a result of better tax planning arrangement within the Group.

Luxury Travel Retail Segment

During the Reporting Period, revenue from the Luxury Travel Retail Segment was US$14.7 million, representing an increase of 5.8% as compared with the previous period of US$13.9 million. The increase was mainly due to (1) increase in revenue of US$1.4 million as a result of the contribution of by our 5 boutiques in Hawaii (two of which had ceased operation upon expiry of their leases for commercial reasons) under an American leisure accessories brand. These boutiques are taken over by the Group in April 2018; and (2) increase in revenue of US$0.8 million from the Guam operation; the increments were partially offset by the decrease in revenue of US$1.4 million from the Saipan operation due to the drop in the total tourists arrival in Saipan.

The segment profit of the Luxury Travel Retail Segment remained stable as compared with the corresponding period last year, whilst the segment profits fluctuated in the same manner as the revenue during the Reporting Period.

Destination Services Segment

During the Reporting Period, revenue from the Destination Services Segment was US$1.9 million, representing a decrease of US$0.6 million as compared with the corresponding previous period of US$2.5 million. The decrease was mainly due to the reduction of the tourists arrival to Saipan and thus reduced the segmental revenue. The segment profit fluctuated in the same manner as the revenue during the Reporting Period.

III. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at June 30, 2019	As at December 31, 2018
Current ratio (times) *(Note a)*	**6.4**	1.6
Quick ratio (times) *(Note b)*	**5.5**	1.2
Gearing ratio (%) *(Note c)*	**—**	—
Net debt to equity ratio *(Note d)*	**N/A**	N/A

Notes:

(a) Current ratio was calculated based on the total current assets divided by the total current liabilities as of at end of the respective period.

(b) Quick ratio was calculated based on the total current assets less inventories and then divided by the total current liabilities as at the end of the respective period.

(c) Gearing ratio was 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%.

(d) Net debt to equity ratio was calculated based on net debts (being total interest-bearing bank borrowings net of cash and cash equivalents) as at the end of the respective period divided by total equity as at the end of the respective period and multiplied by 100%. Net debt includes all interest-bearing bank borrowings (if any), net of cash and cash equivalents.

Current ratio and quick ratio

Our current ratio increased from 1.6 as at December 31, 2018 to 6.4 as at June 30, 2019 mainly due to the increase in the cash and bank balances from the Listing proceeds. Our quick ratio fluctuated in the same manner as our current ratios during the Reporting Period.

Gearing ratio

Our gearing ratio was nil as at June 30, 2019 and December 31, 2018 because we have zero interest-bearing bank borrowings as of the end of the respective period.

Net debt to equity ratio

Net debt to equity ratio is not applicable to our Group as at June 30, 2019 and December 31, 2018 as there were no borrowings as at the end of the respective period.

IV. 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$**"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at June 30, 2019, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US$. Therefore, the Group's foreign exchange risk is insignificant.

V. FUTURE PLANS AND MARKET PROSPECTS

Hotels & Resorts Segment

Saipan

Korea has regained its position as the top performing source market for Saipan upon the resumption of all Jeju Air (Incheon and Busan to Saipan routes) and daily T'way Air starting June 2019. Going forward, Jeju Air, a leading low-cost carrier in Korea has decided to add four more flights per week, representing 744 more seats a week from Incheon to Saipan during the upcoming peak season; whilst T'way Air will add one more daily flight, representing 1,302 more seats a week from Incheon to Saipan starting October 2019. On the other hand, The Marianas Visitors Authority (the "**MVA**") and their partners kept implementing numerous strategies to restore confidence in and demand for the CNMI as a safe and beautiful destination after Yutu, especially in the Korea market. All these efforts are expected to increase the arrivals from Korea and thus enhance the demand in hotel accommodation and other related tourism services and activities.

Being the second biggest source market for Saipan, arrivals from China for the six months ended June 30, 2019 dropped 13.0% when compared to corresponding period last year. As a result of Sino-U.S. tensions since 2018, tourists from China looking for mid-market accommodation were more hesitant to travel overseas. In order to counter the downturn in arrivals, the MVA is keeping its pulse on the situation through regular communication with the key travel industry representatives. Besides, the MVA is participating in different road shows organized by other tourism partners for promoting the CNMI in China as a tourism destination and expanding the market coverage to Southeast China.

The Japan market had declined sharply since Delta Air Lines ceased the previous direct service in May 2018. Starting 2019, Skymark Airlines, a low-cost carrier commenced direct flights from Tokyo to Saipan, making a strong start in reversing the downturn. Considering the high demand for charter flights from Tokyo earlier this year, Skymark has announced nine direct charter flights from Tokyo to Saipan in August and September 2019, hoping to entice Japanese travelers to the Pacific island destination this summer. The MVA is anticipating there will be continued growth in arrivals from the market.

Guam

The Japan market continues to recover in Guam for the first half of 2019 due to airlines increasing seat capacity to meet the growing demand.

On the other hand, United Airlines has also announced to increase its Guam-Nagoya service from 11 to 14 flights on weekly basis. Additional service will commence by late October 2019, offering 378 more seats weekly.

The continuous upsurge of arrivals to Guam stimulates the demand for hotel accommodation. Activities and services related to the tourism businesses are anticipated to grow accordingly.

In order to raise the awareness of our hotels and resorts in Saipan and Guam, we are planning to launch e-marketing campaigns. We have seen an increase in online bookings in the past years via online travel agents and will be pursuing campaigns with these partners. Our location target will ensure that we are marketing to travelers in all our major source markets, including Korea, China and Japan. We will launch a multi-faceted campaign that covers the online travel agent direct portals, search engine marketing, meta-search engine marketing, as well as relevant B2B affiliates. We expect the above marketing strategies can direct unique visitors to our hotel pages and increase online conversion and bookings.

For both Saipan and Guam, we are open to explore different collaboration opportunities with international hospitality chains, which may take place in various manners such as access to their membership program and their loyalty customer base, obtaining marketing and operational support, use of their booking engines and reservation system or a rebranding exercise under a franchise model.

Luxury Travel Retails Segment

By mid-April 2019, we have successfully launched a new boutique under a French luxury fashion brand in Saipan. As scheduled, we will launch a new boutique in Guam under the same brand by late 2019.

Certain brands owners (without presence in Hawaii) are interested to explore business opportunities in Hawaii. Our management team is working closely with the brands owners to identify the best location for launching new boutiques in Hawaii.

China is a gigantic and blooming market for luxury travel retail. Our management team is actively looking for any opportunities to launch boutiques in the China market.

Destination Services Segment

Dedicated to delight the travelers with gracious hospitality and sales services, we are in the process of recruiting outdoor and water activities enthusiasts as our tour guides. We hope that our new tour guides can put more effort in marketing our excursion tours and water activities by means of sharing their own experience and accompanying the customers to participate in different activities. We expect our services excellence can reinforce our market reputation and impress our customers for more returning visits.

VI. CONTINGENT LIABILITIES

As at June 30, 2019, the Group did not have any material contingent liabilities.

VII. EMPLOYEES AND EMOLUMENT POLICY

As at June 30, 2019, the Group had a total of 761 full-time employees, including 537 employed in Saipan, 198 employed in Guam, 23 employed in Hawaii and 3 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 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. During the reporting period, the total staff costs (including directors' emoluments) amounted to US$11.8 million (For the six months ended June 30, 2018: US$12.1 million). The Company has adopted the Post-IPO 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.

VIII. 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.

IX. UPDATE ON THE USE OF PROCEEDS

Upon the listing of the shares of the Company on the Stock Exchange on May 16, 2019, the proceeds from the Global Offering will be utilized for the purposes as set out in the Prospectus published on April 30, 2019. Up to June 30, 2019, such proceeds have not been utilized.

X. 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 Prof. CHAN Pak Woon David. 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 and the interim report for the Reporting Period.

Such unaudited condensed consolidated interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, 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 Hong Kong Institute of Certified Public Accountants.

XI. INTERIM DIVIDEND

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

XII. 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. 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.

XIII. 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. After having made specific enquiry 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.

XIV. CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS

During the Reporting Period, Mr. MA Andrew Chiu Cheung, our Independent Non-Executive Director has resigned as an Independent Non-Executive Director of Asia Finance Holdings Limited (Stock Code: 662) with effect from May 23, 2019 due to his other commitments and his personal affairs. Mr. Ma has confirmed that he has no disagreement with the Board of Directors of Asia Finance Holdings Limited (Stock Code: 662).

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

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

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

Hong Kong, 26 August 2019

As at the date of this announcement, the Board of Directors 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.