



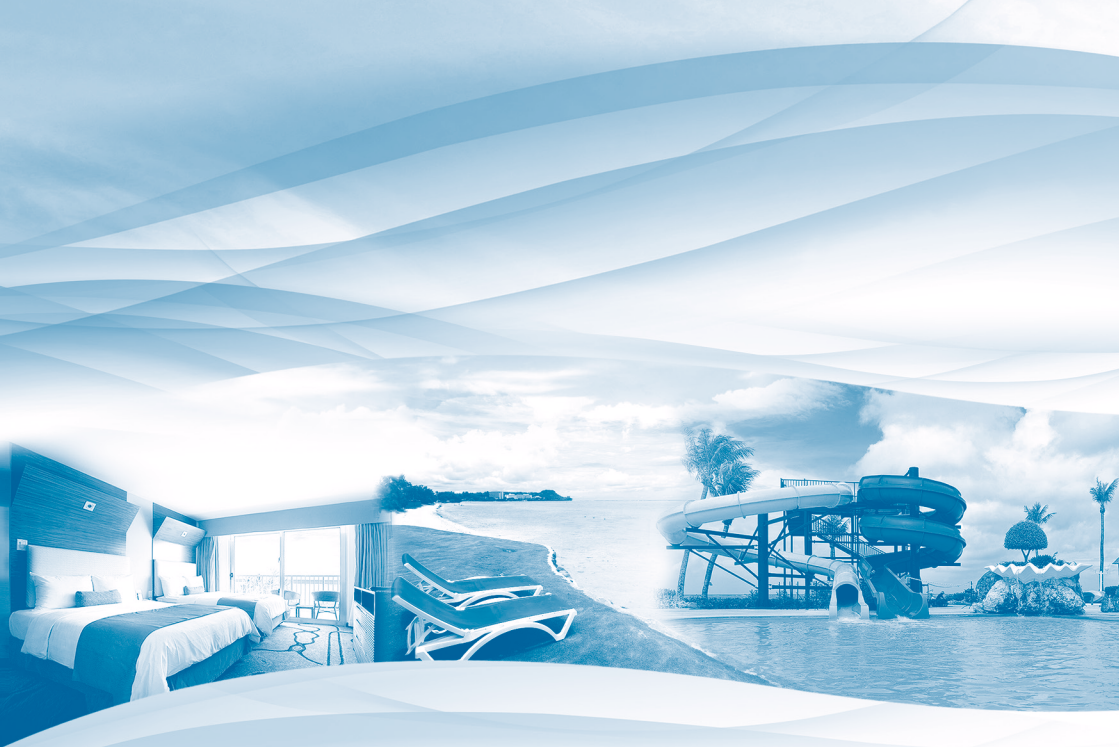
海天地悅旅集團有限公司 S.A.I. LEISURE GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1832



INTERIM REPORT **2019**



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Corporate Information

Board of Directors

Executive Directors

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

Mr. CHIU George

Mrs. SU TAN Jennifer Sze Tink

Mr. SCHWEIZER Jeffrey William

Non-Executive Directors

Dr. TAN Siu Lin, SBS (*Chairman*)

Mr. TAN Willie

Independent Non-Executive Directors

Prof. CHAN Pak Woon David

Mr. MA Andrew Chiu Cheung

Mr. CHAN Leung Choi Albert

Audit Committee

Mr. MA Andrew Chiu Cheung (*Chairman*)

Prof. CHAN Pak Woon David

Mr. CHAN Leung Choi Albert

Remuneration Committee

Mr. CHAN Leung Choi Albert (*Chairman*)

Prof. CHAN Pak Woon David

Dr. TAN Henry, BBS, JP

Nomination Committee

Prof. CHAN Pak Woon David (*Chairman*)

Mr. CHAN Leung Choi Albert

Dr. TAN Henry, BBS, JP

Chairman and Non-Executive Director

Dr. TAN Siu Lin, SBS

Company Secretary

Ms. CHEUNG Pik Shan Bonnie

Authorized Representatives

(for the purpose of the Listing Rules)

Dr. TAN Henry, BBS, JP

Ms. CHEUNG Pik Shan Bonnie

Compliance Adviser

Elstone Capital Limited

Suite 1612, 16/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Legal Advisers to our Company

As to Hong Kong laws

Deacons

5th Floor

Alexandra House

18 Chater Road

Central, Hong Kong

As to CNMI and Guam laws

Blair Sterling Johnson & Martinez, P.C.

238 Archbishop Flores Street

Suite 1008

Hagåtña Guam

96910-5205

Auditor

PricewaterhouseCoopers

Certified Public Accountants

22nd Floor

Prince's Building

Central, Hong Kong

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Corporate headquarters and principal place of business registered under Part 16 of the Companies Ordinance

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited

(Stock Code: 1832)

Website

www.saileisuregroup.com

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF S.A.I. LEISURE GROUP COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on page 6 to 38, which comprises the interim condensed consolidated statement of financial position of S.A.I. Leisure Group Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at June 30, 2019 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Financial Information

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Other Matter

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2018. The comparative information for the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows, and related explanatory notes, for the six months ended June 30, 2018 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 26, 2019

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2019

		Six months ended June 30,	
	Note	2019 US\$'000 (Unaudited)	2018 US\$'000 (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
Earnings per share attributable to owners of the Company			
— Basic and diluted	9	2.0	2.6
		US cents	US cents

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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	11	54,070	38,202
Investment properties	12	2,564	2,622
Intangible assets	13	362	422
Deferred income tax assets		1,823	1,748
Deposits and prepayments	16	849	1,032
		59,668	44,026
Current assets			
Inventories	14	9,469	8,944
Trade receivables	15	4,231	4,138
Deposits, prepayments and other receivables	16	3,148	2,934
Amount due from the intermediate holding company	19(c)	—	453
Amounts due from related parties	19(c)	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	17	461	—
Share premium	17	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	18	7,656	8,667
Contract liabilities		282	453
Lease liabilities		2,135	—
Amounts due to related parties	19(c)	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

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes In Equity

For the six months ended June 30, 2019

	Attributable to owners of the Company					Subtotal US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000 (Note 17)	Share premium US\$'000 (Note 17)	Merger reserve US\$'000	Other reserve US\$'000	Retained earnings US\$'000			
(Unaudited)								
Balance at January 1, 2018	–	–	27,006	4,468	17,607	49,081	1,534	50,615
Profit and total comprehensive income for the period	–	–	–	–	7,092	7,092	54	7,146
<hr style="border-top: 1px dashed #000;"/>								
Transactions with owners in their capacity as owners:								
Contribution from the intermediate holding company	–	–	–	187	–	187	–	187
Balance at June 30, 2018	–	–	27,006	4,655	24,699	56,360	1,588	57,948
(Unaudited)								
Balance at January 1, 2019	–	–	27,006	4,809	21,701	53,516	1,609	55,125
Profit/(loss) and total comprehensive income/(loss) for the period	–	–	–	–	5,534	5,534	(19)	5,515
<hr style="border-top: 1px dashed #000;"/>								
Transactions with owners in their capacity as owners:								
Issue of shares by Capitalization Issue	346	(346)	–	–	–	–	–	–
Issue of shares pursuant to public offering	115	40,731	–	–	–	40,846	–	40,846
Listing expenses related to the issue of new shares	–	(2,263)	–	–	–	(2,263)	–	(2,263)
Total transactions with owners	461	38,122	–	–	–	38,583	–	38,583
Balance at June 30, 2019	461	38,122	27,006	4,809	27,235	97,633	1,590	99,223

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

	Six months ended June 30,	
	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	5,309	2,686
Income taxes paid	(205)	(657)
Net cash generated from operating activities	5,104	2,029
Cash flows from investing activities		
Purchase of property, plant and equipment	(881)	(2,334)
Proceeds from disposal of property, plant and equipment	168	—
Acquisition of retail operation, net of cash acquired	—	2
Repayment from the intermediate holding company	—	5,000
Interest received	83	11
Net cash (used in)/generated from investing activities	(630)	2,679
Cash flows from financing activities		
Proceeds from issue of new ordinary shares upon listing	40,846	—
Transaction costs attributable to issuance of ordinary shares	(2,263)	(106)
Principal elements of lease payments	(1,161)	—
Repayment of borrowings	—	(5,000)
Interest paid	(375)	(11)
Net cash generated from/(used in) financing activities	37,047	(5,117)
Net increase/(decrease) in cash and cash equivalents	41,521	(409)
Cash and cash equivalents at beginning of period	4,792	6,873
Cash and cash equivalents at end of the period	46,313	6,464

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

(Continued)

HKFRS 16 Leases *(Continued)*

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

(Continued)

HKFRS 16 Leases *(Continued)*

As a lessee — Leases previously classified as operating leases *(Continued)*

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 (Audited)	US'000 (Unaudited)	US'000 (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)

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

(Continued)

HKFRS 16 Leases *(Continued)*

As a lessee — Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

3 NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

(Continued)

HKFRS 16 Leases *(Continued)*

Summary of new accounting policies *(Continued)*

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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) Hotels 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

4 SEGMENT AND REVENUE INFORMATION (Continued)

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			
	Hotels and resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Total US\$'000 (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
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

4 SEGMENT AND REVENUE INFORMATION (Continued)

	For the six months ended June 30, 2018			
	Hotels and resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Total US\$'000 (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
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

4 SEGMENT AND REVENUE INFORMATION *(Continued)*

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

Other (losses)/gains, net

Net exchange (losses)/gains
Losses on disposal of property, plant and equipment

Six months ended June 30,

2019 US\$'000 (Unaudited)	2018 US\$'000 (Unaudited)
(251)	2
(2)	(2)
(253)	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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)	—

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

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 Note 17(b)) were deemed to have been in issue since January 1, 2018.

	Six months ended June 30,	
	2019 (Unaudited)	2018 (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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings US\$'000	Renovation and leasehold improvements US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
(Unaudited)							
As at January 1, 2018							
Cost	48,593	23,985	8,263	8,066	917	718	90,542
Accumulated depreciation	(25,416)	(12,788)	(5,308)	(6,008)	(321)	–	(49,841)
Net book amount	23,177	11,197	2,955	2,058	596	718	40,701
Period ended June 30, 2018							
Opening net book amount	23,177	11,197	2,955	2,058	596	718	40,701
Additions	–	367	186	247	41	1,370	2,211
Disposals	–	–	–	(2)	–	–	(2)
Transfer	–	513	–	–	–	(513)	–
Depreciation charges	(528)	(1,344)	(457)	(494)	(50)	–	(2,873)
Closing net book amount	22,649	10,733	2,684	1,809	587	1,575	40,037
As at June 30, 2018							
Cost	48,593	24,865	8,449	8,311	958	1,575	92,751
Accumulated depreciation	(25,944)	(14,132)	(5,765)	(6,502)	(371)	–	(52,714)
Net book amount	22,649	10,733	2,684	1,809	587	1,575	40,037

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

11 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets US\$'000	Buildings US\$'000	Renovation and leasehold improvements US\$'000	Plant and machinery US\$'000	Furniture, fixtures and equipment US\$'000	Motor vehicles US\$'000	Construction in progress US\$'000	Total US\$'000
(Unaudited)								
As at January 1, 2019								
Cost	–	48,593	25,622	9,323	8,455	971	776	93,740
Accumulated depreciation	–	(26,468)	(15,595)	(6,148)	(6,957)	(370)	–	(55,538)
Net book amount (as previously presented)	–	22,125	10,027	3,175	1,498	601	776	38,202
Change in accounting policy – Cost	19,230	–	–	–	–	–	–	19,230
Restated as at January 1, 2019								
Cost	19,230	48,593	25,622	9,323	8,455	971	776	112,970
Accumulated depreciation	–	(26,468)	(15,595)	(6,148)	(6,957)	(370)	–	(55,538)
Net book amount as restated	19,230	22,125	10,027	3,175	1,498	601	776	57,432
Period ended June 30, 2019								
Opening net book amount	19,230	22,125	10,027	3,175	1,498	601	776	57,432
Additions	171	–	442	140	283	52	–	1,088
Disposals	–	–	(106)	(13)	(3)	(40)	(8)	(170)
Transfer	–	–	83	–	74	–	(157)	–
Depreciation charges	(1,349)	(527)	(1,431)	(442)	(474)	(57)	–	(4,280)
Closing net book amount	18,052	21,598	9,015	2,860	1,378	556	611	54,070
As at June 30, 2019								
Cost	19,401	48,593	26,041	9,450	8,809	983	611	113,888
Accumulated depreciation	(1,349)	(26,995)	(17,026)	(6,590)	(7,431)	(427)	–	(59,818)
Net book amount	18,052	21,598	9,015	2,860	1,378	556	611	54,070

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

12 INVESTMENT PROPERTIES

	US\$'000 (Unaudited)
As at January 1, 2018	
Cost	4,322
Accumulated depreciation	(1,587)
	<hr/>
Net book amount	2,735
	<hr/>
Period ended June 30, 2018	
Opening net book amount	2,735
Depreciation charge	(57)
	<hr/>
Closing net book amount	2,678
	<hr/>
As at June 30, 2018	
Cost	4,322
Accumulated depreciation	(1,644)
	<hr/>
Net book amount	2,678
	<hr/>
As at January 1, 2019	
Cost	4,322
Accumulated depreciation	(1,700)
	<hr/>
Net book amount	2,622
	<hr/>
Period ended June 30, 2019	
Opening net book amount	2,622
Depreciation charge	(58)
	<hr/>
Closing net book amount	2,564
	<hr/>
As at June 30, 2019	
Cost	4,322
Accumulated depreciation	(1,758)
	<hr/>
Net book amount	2,564
	<hr/>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

13 INTANGIBLE ASSETS

Computer software
US\$'000
(Unaudited)

As at January 1, 2018

Cost	757
Accumulated amortization	(200)
Net book amount	557

Period ended June 30, 2018

Opening net book amount	557
Amortization charge	(67)
Closing net book amount	490

As at June 30, 2018

Cost	757
Accumulated amortization	(267)
Net book amount	490

As at January 1, 2019

Cost	757
Accumulated amortization	(335)
Net book amount	422

Period ended June 30, 2019

Opening net book amount	422
Amortization charge	(60)
Closing net book amount	362

As at June 30, 2019

Cost	757
Accumulated amortization	(395)
Net book amount	362

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

14 INVENTORIES

	As at June 30, 2019 US\$'000 (Unaudited)	As at December 31, 2018 US\$'000 (Audited)
Merchandises	9,469	8,944

15 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 to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

15 TRADE RECEIVABLES (Continued)

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\$.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2019 US\$'000 (Unaudited)	As at December 31, 2018 US\$'000 (Audited)
Deposits	866	650
Prepayment of listing expenses	—	228
Prepayments	3,123	3,076
Other receivables	8	12
	3,997	3,966
Less: non-current portion		
Rental and utility deposits	(816)	(638)
Prepaid rent	—	(296)
Prepayments for property, plant and equipment	(33)	(98)
	(849)	(1,032)
Current portion	3,148	2,934

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of receivable mentioned above. The Group does not hold collateral as security.

The carrying amounts of deposits and other receivables approximate their fair values and are denominated in US\$.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

17 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares US'000	Share premium US'000
(Unaudited)			
At October 18, 2018 (date of incorporation) and January 1, 2019 (Note(a))	1	—	—
Shares issued pursuant to the Capitalization Issue (Note (b))	269,999,999	346	(346)
Shares issued pursuant to the share offer in Listing (Note (c))	90,000,000	115	40,731
Listing expenses related to the issue of new shares (Note (d))	—	—	(2,263)
At June 30, 2019	360,000,000	461	38,122

Notes:

- (a) On October 18, 2018 (date of incorporation), 1 share of HK\$0.01 was allotted and issued.
- (b) Pursuant to a sole shareholder's resolution dated April 9, 2019, the Company issued additional 269,999,999 shares (the "**Capitalization Issue**"), credited as fully paid, to THC Leisure Holdings Limited, by way of capitalization of US\$346,000 charging to the Company's share premium account.
- (c) On May 16, 2019, in connection with the Listing, the Company issued 90,000,000 shares at a price of HK\$3.54 per share for a total of HK\$318,600,000 (equivalent to approximately US\$40,846,000).
- (d) The issuance costs in connection with the Listing amounted to US\$2,263,000 were charged to the Company's share premium account.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

18 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
	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 to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

18 TRADE AND OTHER PAYABLES (Continued)

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

19 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties:

Save as disclosed elsewhere in this unaudited condensed consolidated interim financial information, during the six months ended June 30, 2019 and 2018, the following significant transactions were carried out with related parties:

	Six months ended June 30,	
	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Rental income		
Strategic Gaming Solution, Inc.	124	137
Hotel service income		
Centours International Travel Co., Ltd.	6,451	5,520
Freight forwarding and logistics service		
The CTSI Group	458	346
Shared-services expenses		
L&T Group of Companies Ltd.	112	308
The CTSI Group	21	66
Luen Thai Enterprises Limited	—	300
	133	674

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

19 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Significant transactions with related parties: *(Continued)*

	Six months ended June 30,	
	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Staff costs recharged		
L&T Group of Companies Ltd.	57	253
Purchase of merchandises		
D&Q Co. Ltd.	252	274
Cosmos Distributing Co. Ltd.	137	144
	389	418
Insurance fee		
TakeCare Insurance Co. Ltd.	1,064	961
Rental expenses		
Beach Road Tourism Development, Inc.	317	411
L&T Group of Companies Ltd.	28	3
Luen Thai International Development Limited	15	—
	360	414

The pricing of these transactions was determined based on mutual negotiation and agreement between the Group and related parties.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

19 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

Key management includes directors and senior management of the Group. The compensation paid or payable to key management for employees' services is shown below:

	Six months ended June 30,	
	2019	2018
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Wage, salaries, bonuses and other allowances and benefits in kind	187	272
Pension costs — defined contribution plan	2	3
	189	275

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended June 30, 2019

19 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due from/(to) the intermediate holding company and related parties

	As at June 30, 2019 US\$'000 (Unaudited)	As at December 31, 2018 US\$'000 (Audited)
Non-trade receivables from		
Intermediate holding company (Note (i))	—	453
Related parties (Note (i), (ii))	355	7,633
	355	8,086
Trade receivables from		
Related parties (Note (iii))	1,512	1,128
Non-trade payables to		
Related parties (Note (iv))	(261)	(10,686)
Trade payables to		
Related parties (Note (iii))	(89)	(88)

Notes:

- (i) As at December 31, 2018, non-trade receivables from the intermediate holding company and related parties were unsecured, interest-free and repayable on demand.
- (ii) As at June 30, 2019, the non-trade receivables balances from related parties represented prepaid expenses for services to be rendered by the related parties.
- (iii) As at June 30, 2019 and December 31, 2018, trade receivables/trade payables balances from/to related parties were unsecured, interest-free and with credit terms of 30 days and approximate their fair values.
- (iv) As at June 30, 2019 and December 31, 2018, non-trade payables balances to the related parties were unsecured, interest-free and repayable on demand.

The balances with the intermediate holding company and related parties are denominated in US\$.

Management Discussion and Analysis

The board of directors (the “**Board**”) of S.A.I. Leisure Group Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2019 (the “**Reporting Period**”). The relevant financial figures for the corresponding period in 2018 or other dates/periods are also set out in this report for comparative purposes.

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 at the 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.

Management Discussion and Analysis

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 at 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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. CHARGE ON ASSETS

As at June 30, 2019 and December 31, 2018, the Group had aggregate banking facilities of US\$11.0 million and US\$11.0 million respectively, which were secured by certain buildings and investment properties owned by the Group. Unutilized facilities at the end of each reporting period amounted to US\$11.0 million and US\$11.0 million respectively.

Management Discussion and Analysis

VII. CONTINGENT LIABILITIES

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

VIII. 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.

Other Information

I. INTERIM DIVIDEND

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

II. 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.

III. DIRECTORS AND CHIEF EXECUTIVES' INTEREST IN SHARES

As at June 30, 2019, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO"), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of Interests in the Company*
Dr. TAN Siu Lin	Interests in a controlled corporation (<i>Note a</i>)	270,000,000	75%
Dr. TAN Henry	Interests in a controlled corporation (<i>Note b</i>)	270,000,000	75%

* The percentage represents the number of shares involved divided by the number of the Company's issued shares as at the date of this report.

Notes:

- (a) Dr. TAN Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure Holdings Limited because (i) he acts in concert with Dr. TAN Henry in respect of the affairs of our Group, (ii) he and Dr. TAN Henry together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward Limited as the trustee of a discretionary family trust, (iii) he and Dr. TAN Henry together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward Limited, and are thus entitled to exercise the voting rights in Leap Forward Limited, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward Limited is the registered owner of a 39% interest in Tan Holdings Corporation, and (vi) Tan Holdings Corporation is the registered owner of the entire interests in THC Leisure Holdings Limited. As such, THC Leisure Holdings Limited is a controlled corporation of Dr. TAN Siu Lin.
- (b) Dr. TAN Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure Holdings Limited because (i) he acts in concert with Dr. TAN Siu Lin in respect of the affairs of our Group, (ii) he and Dr. TAN Siu Lin together control the majority of the board of directors of Supreme Success Limited, which is the registered owner of the entire interests in Leap Forward Limited as the trustee of a discretionary family trust, (iii) he and Dr. TAN Siu Lin together control the majority of the protectors of the said discretionary family trust and the board of directors of Leap Forward Limited, and are thus entitled to exercise the voting rights in Leap Forward Limited, (iv) Leap Forward Limited is the registered owner of a 39% interest in Tan Holdings Corporation, and (v) Tan Holdings Corporation is the registered owner of the entire interests in THC Leisure Holdings Limited. As such, THC Leisure Holdings Limited is a controlled corporation of Dr. TAN Henry. He is also a registered owner of a 20% interest in Tan Holdings Corporation.

Save as disclosed above, as at the date of this report, none of the Directors or Chief Executives of the Company had any interests and short positions in the shares and underlying shares of the Company or any associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

IV. SUBSTANTIAL SHAREHOLDERS

As at June 30, 2019, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests in “Directors’ and Chief Executives’ Interests in Shares”, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Name of Director	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of Interests in the Company*
THC Leisure Holdings Limited (<i>Note a</i>)	Beneficial interest	270,000,000	75%
Tan Holdings Corporation (<i>Note b</i>)	Interests in a controlled corporation	270,000,000	75%
Leap Forward Limited (<i>Note c</i>)	Interests in a controlled corporation	270,000,000	75%
Supreme Success Limited (<i>Note d</i>)	Interests in a controlled corporation	270,000,000	75%

* The percentage represents the number of shares involved divided by the number of the Company’s issued shares as at the date of this report.

Notes:

- (a) THC Leisure Holdings Limited is the registered owner of 270,000,000 Shares (representing 75% of our entire issued share capital).
- (b) Tan Holdings Corporation is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure Holdings Limited because it is the registered owner of the entire interests in THC Leisure Holdings Limited. As such, THC Leisure Holdings Limited is a controlled corporation of Tan Holdings Corporation.
- (c) Leap Forward Limited is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure Holdings Limited because it is the registered owner of 39% interests in Tan Holdings Corporation, which in turn is the registered owner of the entire interests in THC Leisure Holdings Limited. As such, THC Leisure Holdings Limited is a controlled corporation of Leap Forward Limited.
- (d) Supreme Success Limited is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of our entire issued share capital) held by THC Leisure Holdings Limited because (i) it is the registered owner of the entire interests in Leap Forward Limited as the trustee of a discretionary family trust, (ii) Leap Forward Limited is the registered owner of a 39% interest in Tan Holdings Corporation, and (iii) Tan Holdings Corporation is the registered owner of the entire interests in THC Leisure Holdings Limited. As such, THC Leisure Holdings Limited is a controlled corporation of Supreme Success Limited.

Save as disclosed above, as at the date of this report, there was no other person (not being a Director or Chief Executive of the Company) who had interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

V. 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.

VI. 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.

VII. 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.

Other Information

VIII. 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.

IX. 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).

X. 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, August 26, 2019