



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
2022





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

Corporate Information

Board of Directors

Executive Directors

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

Mr. CHIU George

Mrs. SU TAN Jennifer Sze Tink

Mr. SCHWEIZER Jeffrey William

Non-Executive Directors

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

Mr. TAN Willie

Independent Non-Executive Directors

Mr. CHAN Leung Choi Albert

Prof. CHAN Pak Woon David

Mr. MA Andrew Chiu Cheung

Audit Committee

Mr. MA Andrew Chiu Cheung (*Chairman*)

Mr. CHAN Leung Choi Albert

Prof. CHAN Pak Woon David

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

Legal Advisers to our Company

As to Hong Kong laws

Deacons

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Alexandra House

18 Chater Road

Central, Hong Kong

As to CNMI and Guam laws

Blair Sterling Johnson & Martinez, P.C.

238 Archbishop Flores Street

Suite 1008

Hagåtña Guam

96910-5205

Auditor

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27th Floor, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

Registered Office

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

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

Principal Bankers

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

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited

(Stock Code: 1832)

Website

www.saileisuregroup.com

Independent Review Report



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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 pages 6 to 40, which comprises the 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, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and 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* (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 HKICPA. 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.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the interim financial information which indicates that the Group had net current liabilities of US\$21,594,000 as at June 30, 2022 and incurred a net loss of US\$545,000 during the six-month period then ended. Included in its current liabilities was an interest-bearing bank borrowing of US\$34,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but with a repayment-on-demand clause. These conditions, along with other matters as set forth in note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our review conclusion is not modified in respect of this matter.

Ernst & Young

Certified Public Accountants

Hong Kong

August 30, 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended June 30, 2022

	Note	Six months ended June 30,	
		2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Revenue	3	9,459	8,387
Cost of inventories sold	5	(2,488)	(1,300)
Food and beverage costs	5	(105)	(281)
Employee benefit expenses	5	(1,798)	(3,349)
Utilities, repairs and maintenance	5	(1,441)	(1,137)
Other gains/(losses), net	4	1	(4)
Operating and other expenses	5	(4,166)	(4,853)
Operating loss		(538)	(2,537)
Finance income	6	—	21
Finance costs	6	(464)	(470)
Finance costs, net	6	(464)	(449)
Loss before income tax		(1,002)	(2,986)
Income tax credit	7	457	388
Loss for the period		(545)	(2,598)
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		—	(166)
Total comprehensive loss for the period		(545)	(2,764)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six-month period ended June 30, 2022

	Six months ended June 30,	
Note	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to:		
Owners of the Company	(493)	(2,610)
Non-controlling interests	(52)	12
	(545)	(2,598)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(493)	(2,776)
Non-controlling interests	(52)	12
	(545)	(2,764)
Loss per share attributable to owners of the Company		
— Basic and diluted (US cents)	(0.1)	(0.7)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	Note	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	117,003	102,300
Investment properties	11	2,086	2,133
Intangible assets	12	71	108
Deferred income tax assets		4,798	4,341
Deposits	15	836	839
		124,794	109,721
Current assets			
Inventories	13	1,437	2,562
Trade receivables	14	10,797	12,951
Prepayments and other receivables	15	1,546	955
Amounts due from related parties	20(c)	—	1
Income tax recoverable		2,561	2,561
Cash and cash equivalents		8,246	8,077
		24,587	27,107
Total assets		149,381	136,828
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	461	461
Share premium	16	38,122	38,122
Capital reserve		27,006	27,006
Other reserve		4,836	4,836
Retained earnings		15,026	15,519
		85,451	85,944
Non-controlling interests		(325)	(273)
Total equity		85,126	85,671

Condensed Consolidated Statement of Financial Position

As at June 30, 2022

	Note	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		18,074	18,760
Current liabilities			
Trade and other payables	17	10,445	13,705
Bank borrowing	18	34,000	17,000
Lease liabilities		1,534	1,539
Amounts due to related parties	20(c)	165	116
Income tax payable		37	37
		46,181	32,397
Total liabilities		64,255	51,157
Total equity and liabilities		149,381	136,828

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-month period ended June 30, 2022

	Attributable to owners of the Company					Subtotal US\$'000	Non- controlling interests US\$'000	Total US\$'000
	Share capital US\$'000 (Note 16)	Share premium US\$'000 (Note 16)	Capital reserve US\$'000	Other reserve US\$'000	Retained earnings US\$'000			
(Unaudited)								
Balance at January 1, 2021	461	38,122	27,006	4,840	21,471	91,900	(85)	91,815
(Loss)/profit for the period	–	–	–	–	(2,610)	(2,610)	12	(2,598)
Other comprehensive loss:								
Changes in value of debt investments at fair value through other comprehensive income	–	–	–	(166)	–	(166)	–	(166)
	–	–	–	(166)	(2,610)	(2,776)	12	(2,764)
Balance at June 30, 2021	461	38,122	27,006	4,674	18,861	89,124	(73)	89,051
(Unaudited)								
Balance at January 1, 2022	461	38,122	27,006	4,836	15,519	85,944	(273)	85,671
Loss for the period	–	–	–	–	(493)	(493)	(52)	(545)
Balance at June 30, 2022	461	38,122	27,006	4,836	15,026	85,451	(325)	85,126

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-month period ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	1,406	1,812
Income taxes refunded	—	8
Net cash generated from operating activities	1,406	1,820
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,162)	(20,770)
Purchase of investment properties	(2)	—
Interest received	—	21
Net cash used in investing activities	(17,164)	(20,749)
Cash flows from financing activities		
Proceeds from bank borrowing	17,000	—
Principal elements of lease payments	(331)	(601)
Interest paid	(742)	(395)
Net cash generated from/(used in) financing activities	15,927	(996)
Net increase/(decrease) in cash and cash equivalents	169	(19,925)
Cash and cash equivalents at beginning of period	8,077	38,164
Cash and cash equivalents at end of the period	8,246	18,239

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

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 in Hong Kong is at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in hotels and resorts 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.

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

This condensed consolidated interim financial information is presented in United States dollars (“**US\$**”) and all values are rounded to the nearest thousand (US\$’000), unless otherwise stated. The condensed consolidated interim financial information has been approved for issue by the Board on August 30, 2022.

2.1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended June 30, 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all HKFRSs, Hong Kong Accounting Standards and Interpretations) issued by HKICPA.

Notes to the Condensed Consolidated Interim Financial Information

2.1 BASIS OF PREPARATION *(Continued)*

Going concern

As at June 30, 2022, the Group had net current liabilities of US\$21,594,000 and incurred a net loss of US\$545,000 during the six-month period then ended. Included in its current liabilities was an interest-bearing bank borrowing of US\$34,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but with a repayment-on-demand clause for the renovation and upgrade works of hotels in Guam and Saipan ("**Renovation**"); and the Group had capital commitments of US\$8,887,000 as at June 30, 2022 in relation to the Renovation which are expected to be settled during the second half of the year ending December 31, 2022.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient resources to continue as a going concern. The following plans and measures have been undertaken to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) Pursuant to the terms and conditions of the facility with the bank, the Group will be subject to certain undertakings including but not limited to financial covenants and completion of the Renovation at an agreed date. The bank has acknowledged the Group's latest expected renovation completion date to be in the second half of 2022. From time to time, the Group closely monitor its compliance with the undertakings and financial covenants of the banking facility. When there is any potential breach of undertaking or financial covenants envisaged, the Group will actively negotiate with the bank and obtain a waiver for the relevant undertaking or financial covenant to avoid the bank from requesting for immediate repayment of any outstanding bank borrowing drawn under the facility, such that the facility and bank borrowing will continue to be available to the Group.

Based on the latest communications between management and the bank regarding the compliance of undertakings and financial covenants, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment of the bank borrowing. Furthermore, as the banking facility is fully secured by certain of the Group's hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track records and relationship the Group has with the bank;

Notes to the Condensed Consolidated Interim Financial Information

2.1 BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

- (ii) The Group expects to substantially complete on schedule the Renovation for the reopening of the hotels in the second half of 2022. Although the full resumption of the hotel operations and the resulting performance is highly dependent on the development of COVID-19 pandemic, including but not limited to the precautionary measures of different countries, vaccination rates and public health care protocols and procedures by the authorities, the Group is cautiously optimistic that the leisure travel market and the Group's business operations will recover soon after the borders are reopened, and the hotels under Renovation are expected to generate operating cash inflows to the Group;
- (iii) The Group continues its efforts to generate sufficient cash flows from operating activities by implementing measures in expediting the collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group;
- (iv) The Group has obtained a commitment of financial support from Tan Holdings, whom has committed to providing financial support to enable the Group to meet its liabilities when they fall due in the foreseeable future (at least 12 months from the date of the financial information); and
- (v) The Group will consider obtaining additional sources of funding as and when needed to enhance its financial position and support the operations of the Group.

Notes to the Condensed Consolidated Interim Financial Information

2.1 BASIS OF PREPARATION *(Continued)*

Going concern *(Continued)*

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from June 30, 2022. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations and commitments as and when they fall due in the coming twelve months from June 30, 2022. Accordingly, the Directors consider that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Should the Group be unable to achieve the above plans and measures so as to continue as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the unaudited condensed consolidated interim financial information.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2021, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

Notes to the Condensed Consolidated Interim Financial Information

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

The nature and impact of the revised HKFRSs are described below:

- (i) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there was no business combination during the period, the amendments did not have any impact on the financial position and performance of the Group.

- (ii) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. Since there was no items produced while making property, plant and equipment available for use on or after the beginning of the earliest period presented, the amendments did not have any impact on the financial position or performance of the Group.

Notes to the Condensed Consolidated Interim Financial Information

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

- (iii) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (iv) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022 and the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

Notes to the Condensed Consolidated Interim Financial Information

3 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 (the "**Hotels & Resorts Segment**");
- (b) Luxury travel retail: sales of luxury and leisure clothing and accessories in retail stores in Saipan, Guam and Hawaii (the "**Luxury Travel Retail Segment**");
- (c) Destination services: provision of destination activities in Saipan including (i) operation of souvenir and convenience stores; (ii) excursion tour operation; and (iii) provision of land arrangement and concierge services (the "**Destination Services Segment**").

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

The Group's CODM assesses the performance of the operating segments based on adjusted operating results. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other gains/(losses), 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

3 SEGMENT AND REVENUE INFORMATION *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the six-month periods ended June 30, 2022 and 2021 are as follows:

	For the six months ended June 30, 2022				
	Hotels & resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Unallocated US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Revenue					
Revenue from external customers	5,783	3,574	102	–	9,459
Segment results	676	(165)	(191)	(859)	(539)
Other gains, net					1
Finance costs					(464)
Loss before income tax					(1,002)
Income tax credit					457
Loss for the period					(545)
Loss for the period includes:					
Depreciation for property, plant and equipment	1,262	379	20	10	1,671
Depreciation for investment properties	49	–	–	–	49
Amortization for intangible assets	27	10	–	–	37
Capital expenditure	16,374	4	2	–	16,380

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT AND REVENUE INFORMATION *(Continued)*

	For the six months ended June 30, 2021				Total US\$'000 (Unaudited)
	Hotels & resorts US\$'000 (Unaudited)	Luxury travel retail US\$'000 (Unaudited)	Destination services US\$'000 (Unaudited)	Unallocated US\$'000 (Unaudited)	
Revenue					
Revenue from external customers	6,522	1,797	68	—	8,387
Segment results	(1,631)	117	(148)	(871)	(2,533)
Other losses, net					(4)
Finance income					21
Finance costs					(470)
Loss before income tax					(2,986)
Income tax credit					388
Loss for the period					(2,598)
Loss for the period includes:					
Depreciation for property, plant and equipment	1,809	487	6	28	2,330
Depreciation for investment properties	49	—	—	—	49
Amortization for intangible assets	53	10	—	—	63
Reversal of provision for obsolete inventories	—	—	(6)	—	(6)
Reversal of provision for impairment of trade receivables	(10)	—	—	—	(10)
Capital expenditure	21,236	—	—	—	21,236

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 profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

3 SEGMENT AND REVENUE INFORMATION *(Continued)*

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Geographical information:		
Revenue from contracts with customers —		
Saipan	6,344	6,693
Guam	2,283	967
Hawaii	788	712
	9,415	8,372
Revenue from other sources —		
Saipan	28	—
Guam	16	15
	44	15
	9,459	8,387

4 OTHER GAINS/(LOSSES), NET

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Other gains/(losses), net		
Net exchange gains/(losses)	1	(4)

Notes to the Condensed Consolidated Interim Financial Information

5 EXPENSES BY NATURE

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	2,488	1,300
Food and beverage costs	105	281
Employee benefit expenses	1,798	3,349
Utilities, repairs and maintenance	1,441	1,137
Short-term leases expenses*	162	91
Variable lease payments expenses*	193	167
Rent concession from lessors*	(401)	(613)
Depreciation of property, plant and equipment* (Note 10)	1,671	2,330
Depreciation of investment properties* (Note 11)	49	49
Amortization of intangible assets* (Note 12)	37	63
Other taxes and licenses*	513	511
Supplies and tools*	169	153
Shared-services expenses*	191	155
Laundry expenses*	42	77
Temporary labour costs*	90	78
Commission expenses*	20	22
Insurance expenses*	469	431
Reversal of provision for obsolete inventories*	—	(6)
Reversal of provision for impairment of trade receivables*	—	(10)
Other miscellaneous expenses* (Note)	961	1,355
	9,998	10,920
Representing:		
Cost of inventories sold	2,488	1,300
Food and beverage costs	105	281
Employee benefit expenses	1,798	3,349
Utilities, repairs and maintenance	1,441	1,137
Operating and other expenses	4,166	4,853
	9,998	10,920

* Included in "Operating and other expenses"

Notes to the Condensed Consolidated Interim Financial Information

5 EXPENSES BY NATURE *(Continued)*

Note: Other miscellaneous expenses mainly represent professional fees, donations, promotion, communication, transportation and entertainment expenses.

6 FINANCE COSTS, NET

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Finance income:		
— Interest income from bank deposits	—	21
Finance costs:		
— Interest expense on lease liabilities	(464)	(452)
— Interest expenses on Paycheck Protection Program loans	—	(18)
— Interest expenses on bank borrowing	(323)	—
	(787)	(470)
Less: Amounts capitalized	323	—
	(464)	(470)
Finance costs, net	(464)	(449)

Notes to the Condensed Consolidated Interim Financial Information

7 INCOME TAX CREDIT

No provision for the Commonwealth of the Northern Mariana Islands (“CNMI”), Guam and Hawaii corporate income tax has been made as the Group did not generate any assessable profits arising in the CNMI, Guam and Hawaii during each reporting period.

	Six months ended June 30,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Deferred tax		
Origination and reversal of temporary differences	457	388

The Group’s subsidiaries incorporated in the CNMI, Guam and Hawaii were subject to corporate 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, 2022 and 2021.

8 LOSS PER SHARE

(a) Basic

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (US\$'000)	(493)	(2,610)
Weighted average number of ordinary shares in issue (thousands)	360,000	360,000
Basic loss per share (US cents)	(0.1)	(0.7)

Notes to the Condensed Consolidated Interim Financial Information

8 LOSS PER SHARE (Continued)

(b) Diluted

Diluted loss per share for the six months ended June 30, 2022 and 2021 is the same as the basic loss per share as there was no potential dilutive ordinary shares outstanding during the respective periods.

9 DIVIDEND

No dividend was paid during the six months ended June 30, 2022.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended June 30, 2022 (for the six months ended June 30, 2021: Nil).

10 PROPERTY, PLANT AND EQUIPMENT

	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, 2021								
Cost	23,996	45,583	26,479	9,359	5,683	947	12,393	124,440
Accumulated depreciation and impairment	(6,163)	(26,911)	(23,535)	(6,880)	(5,346)	(886)	–	(69,721)
Net book amount	17,833	18,672	2,944	2,479	337	61	12,393	54,719
Six-month period ended June 30, 2021								
Opening net book amount	17,833	18,672	2,944	2,479	337	61	12,393	54,719
Additions	–	–	5	36	6	–	21,189	21,236
Depreciation charges	(793)	(457)	(555)	(403)	(102)	(20)	–	(2,330)
Closing net book amount	17,040	18,215	2,394	2,112	241	41	33,582	73,625
As at June 30, 2021								
Cost	23,996	45,583	26,484	9,395	5,689	947	33,582	145,676
Accumulated depreciation and impairment	(6,956)	(27,368)	(24,090)	(7,283)	(5,448)	(906)	–	(72,051)
Net book amount	17,040	18,215	2,394	2,112	241	41	33,582	73,625

Notes to the Condensed Consolidated Interim Financial Information

10 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, 2022								
Cost	26,112	45,527	10,124	8,425	2,858	961	61,367	155,374
Accumulated depreciation and impairment	(7,704)	(27,756)	(8,966)	(5,146)	(2,621)	(881)	–	(53,074)
Net book amount	18,408	17,771	1,158	3,279	237	80	61,367	102,300
Six-month period ended June 30, 2022								
Opening net book amount	18,408	17,771	1,158	3,279	237	80	61,367	102,300
Additions	–	21	2	4	147	–	16,204	16,378
Lease modifications	(4)	–	–	–	–	–	–	(4)
Depreciation charges	(705)	(460)	(141)	(290)	(59)	(16)	–	(1,671)
Closing net book amount	17,699	17,332	1,019	2,993	325	64	77,571	117,003
As at June 30, 2022								
Cost	25,381	45,548	10,126	8,429	3,005	961	77,571	171,021
Accumulated depreciation and impairment	(7,682)	(28,216)	(9,107)	(5,436)	(2,680)	(897)	–	(54,018)
Net book amount	17,699	17,332	1,019	2,993	325	64	77,571	117,003

As at June 30, 2022, certain buildings and construction in progress of the Group of US\$91,767,000 (December 31, 2021: US\$76,281,000) have been pledged as security for the banking facility as disclosed in note 18.

Notes to the Condensed Consolidated Interim Financial Information

11 INVESTMENT PROPERTIES

	US\$'000 (Unaudited)
As at January 1, 2021	
Cost	3,950
Accumulated depreciation	(1,722)
Net book amount	<u>2,228</u>
Six-month period ended June 30, 2021	
Opening net book amount	2,228
Depreciation charge	(49)
Closing net book amount	<u>2,179</u>
As at June 30, 2021	
Cost	3,950
Accumulated depreciation	(1,771)
Net book amount	<u>2,179</u>
As at January 1, 2022	
Cost	3,947
Accumulated depreciation	(1,814)
Net book amount	<u>2,133</u>
Six-month period ended June 30, 2022	
Opening net book amount	2,133
Additions	2
Depreciation charge	(49)
Closing net book amount	<u>2,086</u>
As at June 30, 2022	
Cost	3,949
Accumulated depreciation	(1,863)
Net book amount	<u>2,086</u>

As at June 30, 2022, certain investment properties of the Group of US\$2,052,000 (December 31, 2021: US\$2,090,000), have been pledged as security for the banking facility as disclosed in note 18.

Notes to the Condensed Consolidated Interim Financial Information

12 INTANGIBLE ASSETS

	Computer software US\$'000 (Unaudited)
As at January 1, 2021	
Cost	825
Accumulated amortization	(596)
	<hr/>
Net book amount	229
	<hr/>
Six-month period ended June 30, 2021	
Opening net book amount	229
Amortization charge	(63)
	<hr/>
Closing net book amount	166
	<hr/>
As at June 30, 2021	
Cost	825
Accumulated amortization	(659)
	<hr/>
Net book amount	166
	<hr/>
As at January 1, 2022	
Cost	825
Accumulated amortization	(717)
	<hr/>
Net book amount	108
	<hr/>
Six-month period ended June 30, 2022	
Opening net book amount	108
Amortization charge	(37)
	<hr/>
Closing net book amount	71
	<hr/>
As at June 30, 2022	
Cost	825
Accumulated amortization	(754)
	<hr/>
Net book amount	71
	<hr/>

Notes to the Condensed Consolidated Interim Financial Information

13 INVENTORIES

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Merchandises	1,437	2,562

During the six-month period ended June 30, 2021, the Group has made a reversal of provision of US\$6,000 for slow moving inventories which was included in operating and other expenses.

14 TRADE RECEIVABLES

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Trade receivables from third parties (Note)	11,503	13,657
Less: provision for impairment	(706)	(706)
Total trade receivables, net	10,797	12,951

Notes to the Condensed Consolidated Interim Financial Information

14 TRADE RECEIVABLES (Continued)

Note:

The majority of the Group's sales are with credit terms of 30 days from the invoice date. As at June 30, 2022 and December 31, 2021, the aging analysis of the trade receivables based on invoice date were as follows:

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Within 30 days	1,459	1,823
31 to 60 days	12	1,702
61 to 90 days	726	1,297
Over 90 days	9,306	8,835
	11,503	13,657

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

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Deposits	842	842
Prepayments	1,532	936
Other receivables	8	16
	2,382	1,794
Less: non-current portion Rental and utility deposits	(836)	(839)
Current portion	1,546	955

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, prepayments and other receivables approximate their fair values and are denominated in the following currencies:

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
US\$	2,356	1,720
HK\$	26	74
	2,382	1,794

Notes to the Condensed Consolidated Interim Financial Information

16 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
As at December 31, 2021 (Audited) and June 30, 2022 (Unaudited)	360,000,000	461	38,122

17 TRADE AND OTHER PAYABLES

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Trade payables		
– to third parties (Note (a))	1,127	1,105
– to related parties (Note (b))	79	50
Total trade payables	1,206	1,155
Accruals and other payables		
– Accrued staff salaries	338	434
– Other taxes payable	2,368	2,149
– Other accruals and payables	4,763	4,828
– Payables for purchase of property, plant and equipment	1,770	2,877
– Deferred government grants (Note (c))	–	2,262
	9,239	12,550
	10,445	13,705

Notes to the Condensed Consolidated Interim Financial Information

17 TRADE AND OTHER PAYABLES (Continued)

Notes:

- (a) Trade payables to third parties

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

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Within 30 days	731	642
31 to 60 days	165	71
61 to 90 days	—	62
Over 90 days	231	330
	1,127	1,105

- (b) Amounts due to related parties

As at June 30, 2022 and December 31, 2021, the amounts due to related parties are unsecured, interest-free and with credit term of 30 days.

The aging analysis of amounts due to related parties based on invoice date were as follows:

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Within 30 days	10	1
31 to 60 days	—	4
61 to 90 days	9	22
Over 90 days	60	23
	79	50

Notes to the Condensed Consolidated Interim Financial Information

17 TRADE AND OTHER PAYABLES *(Continued)*

Notes: (Continued)

(c) Deferred government grants

For the six-month period ended June 30, 2022, Paycheck Protection Program (“**PPP loan**”) of approximately US\$2,093,000 (2021: US\$807,000) has been forgiven by the government and recognized in the condensed consolidated statement of profit or loss and other comprehensive income over the six-month period ended June 30, 2022 to match them with the costs that they are intended to compensate. As at June 30, 2022, no PPP loan outstanding was recognized as deferred government grant in the condensed consolidated statement of financial position (December 31, 2021: US\$2,262,000).

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

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
US\$	10,303	13,306
HK\$	142	399
	10,445	13,705

Notes to the Condensed Consolidated Interim Financial Information

18 BANK BORROWING

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Current		
Bank borrowing, secured	34,000	17,000

Since the bank borrowing contains a repayment-on-demand clause, it is classified as a current liability.

The maturity profile of the Group's bank borrowing is based on the scheduled repayment terms set out in the loan agreements with a repayment-on-demand clause. The carrying amount was as follows:

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Due for repayment:		
After 1 year but within 2 years	1,492	367
After 2 years but within 5 years	32,508	16,633
	34,000	17,000

The effective interest rate of this bank borrowing was 3.0% per annum for the six months ended June 30, 2022.

The carrying amount of the Group's bank borrowing approximates its fair value and is denominated in US\$.

Notes to the Condensed Consolidated Interim Financial Information

18 BANK BORROWING *(Continued)*

As at June 30, 2022, the Group had a banking facility of US\$43,000,000 (December 31, 2021: US\$43,000,000). Unutilized facility as at June 30, 2022 amounted to US\$9,000,000 (December 31, 2021: US\$26,000,000). The Group's banking facility is secured and guaranteed by certain property, plant and equipment and investment properties owned by the Group with carrying amounts of US\$91,767,000 (December 31, 2021: US\$76,281,000) and US\$2,052,000 (December 31, 2021: US\$2,090,000), respectively, and corporate guarantee provided by the Company and its subsidiaries.

19 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of each reporting period but not recognized as liabilities is as follows:

	As at June 30, 2022 US\$'000 (Unaudited)	As at December 31, 2021 US\$'000 (Audited)
Property, plant and equipment	8,887	13,150

Notes to the Condensed Consolidated Interim Financial Information

20 RELATED PARTY TRANSACTIONS

(a) Significant transactions with related parties:

Save as disclosed elsewhere in the unaudited condensed consolidated interim financial information, during the six months ended June 30, 2022 and 2021, the following significant transactions were carried out with related parties:

	Six months ended June 30,	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Rental income and expenses recharged Strategic Gaming Solution, Inc.	—	7
Freight forwarding and logistics expenses The CTSI Group	939	441
Shared-services expenses L&T Group of Companies Ltd.	88	155
Staff costs charged L&T Group of Companies Ltd.	43	58
Purchase of merchandises D&Q Co. Ltd. Cosmos Distributing Co. Ltd.	7 26	19 —
	33	19
Insurance expenses TakeCare Insurance Co. Ltd.	243	280
Rental expenses and expenses charged Beach Road Tourism Development, Inc. L&T Group of Companies Ltd. Luen Thai International Development Limited	104 36 30	88 37 29
	170	154

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

20 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,	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Wage, salaries, bonuses and other allowances and benefits in kind	553	551
Pension costs — defined contribution plan	4	1
	557	552

(c) Amounts due from/(to) related parties

	As at	As at
	June 30,	December 31,
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Non-trade receivables from		
Related parties (Note (i))	—	1
Non-trade payables to		
Related parties (Note (i))	(165)	(116)
Trade payables to		
Related parties (Note (ii))	(79)	(50)

Notes to the Condensed Consolidated Interim Financial Information

20 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Amounts due from/(to) related parties *(Continued)*

Notes:

- (i) As at June 30, 2022 and December 31, 2021, the non-trade receivables/payables balances from/to related parties were unsecured, interest-free and repayable on demand.
- (ii) As at June 30, 2022 and December 31, 2021, trade payables balances to related parties were unsecured, interest-free and with credit terms of 30 days and approximate their fair values.

The balances with 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, 2022 (the “**Reporting Period**”). The relevant financial figures for the corresponding period in 2021 or other dates/periods are also set out in this report for comparative purposes.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

Since the start of 2022, the Omicron variant of the coronavirus swept through the world and brought massive waves of infections in different countries. Having said that, most countries have recognized the endemic nature of COVID-19 and have conformed to “co-living with the virus”. Riding on the high double-jabbed vaccination rate and further emphasis on the booster shot, countries like Japan and South Korea, our key tourist origin markets, continue in their efforts to scrap travel restrictions and reopen borders for international travelers.

Throughout the first half of 2022, the government of Japan continued to relax border control measures to set the stage for reopening tourism. In March 2022, those returning to Japan from all over the U.S. (including Guam and the CNMI) who have completed their third vaccine were exempted from quarantine if they tested negative for COVID-19 upon return. With effect from June 1, 2022, arrival control was further relaxed and travelers returning to Japan from the U.S. are no longer required to be tested and are no longer subject to quarantine requirements, regardless of whether they have a vaccination certificate or not.

Similarly, the government of South Korea has extensively eased the overseas arrival protocols in April 2022. Travelers fully vaccinated in Korea and overseas are exempt from the 7-day quarantine requirement. Furthermore, with effect from June 1, 2022, PCR test is only required for overseas arrivals and no antigen test is required on Day 5–6. With the relaxation of the overseas arrival protocols, flights between South Korea and Guam as well as between South Korea and Saipan continue to resume, unleashing the pent-up travel demand since the lock down due to COVID-19.

Management Discussion and Analysis

Both local governments of Guam and the CNMI have lifted the mandatory quarantine requirement for arriving travelers if they are fully vaccinated with a valid COVID vaccine certificate. Besides, with the high local vaccination rate, both Guam and the CNMI have further removed various social distancing restrictions that have been in place in the past years in an effort to reopen tourism to Guam and the CNMI. For the first half of 2022, Guam recorded over 85,000 visitor arrivals, which was three times over the visitor arrivals of the same period last year. On the other hand, riding on the successful travel bubble agreement with the South Korean government launched in late 2021, Saipan had over 30,000 tourist arrivals from South Korea in the first six months of 2022 (for the first six months of 2021: 16 tourist arrivals).

During the Reporting Period, Kanoa Resort remained in operation and continued to support the local government authorities of Saipan by providing its hotel rooms, facilities, and meal services to persons subject to mandatory quarantine requirements upon arrival or during their stay in Saipan. Century Hotel and all the Group's luxury travel retail boutiques in Guam and Hawaii have also been open for business. One out of the Group's five luxury travel retail boutiques in Saipan and one out of the Group's three excursion tours have also resumed business in November 2021 and April 2022, respectively. For CP Guam and CP Saipan, we continued to focus our efforts on the renovation and upgrade works under our asset rejuvenation plan during the Reporting Period.

Revenue and Operating Loss

For the Reporting Period, the Group recorded a revenue of US\$9,459,000, representing an increase of US\$1,072,000 from US\$8,387,000 in the preceding year. The total revenue from our Guam businesses increased by 134.1%, whilst that of Saipan businesses decreased by 4.8% when compared with the preceding year. The slight increase in revenue was mainly due to the gradual recovery of the Guam tourism market, boosting the sales of our luxury travel retail segment.

Management Discussion and Analysis

For the first six months of 2022, the operating loss of the Group was US\$538,000, representing a decrease in loss of US\$1,999,000 when compared with the operating loss of US\$2,537,000 in the corresponding period in 2021. Effective cost-saving measures are still in place throughout the six-month period to mitigate the financial impacts of the pandemic on our Group. The said amount of operating loss has taken into account, amongst others, the recognition of depreciation and amortization expenses (non-cash items) relating to the Group's assets of approximately US\$1,757,000.

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

II. SEGMENTAL REVIEW

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment respectively accounted for approximately 61.1%, 37.8% and 1.1% of the Group's total revenue for the Reporting Period.

Hotels & Resorts Segment

During the Reporting Period, revenue generated from the Hotels & Resorts Segment was approximately US\$5,783,000, representing a decrease of US\$739,000 or 11.3% when compared with the corresponding period in 2021. The slight decrease in revenue was mainly due to the decrease in the occupancy of Kanoa Resort due to the decrease in number of travellers subject to mandatory quarantine. The positive segmental operating margin for the Reporting Period fluctuated in the same manner as the revenue. As certain assets were non-profit-generating during the Reporting Period due to the closure of two out of the Group's four hotels, the depreciation and amortization expenses (non-cash items) for the first six months of 2022 under the Hotels & Resorts Segment was approximately US\$1,338,000.

Management Discussion and Analysis

CP Guam and CP Saipan

Throughout the first half of 2022, the Group continued to focus our effort on the renovation and upgrade works of CP Guam and CP Saipan under our asset rejuvenation plan. The Directors are of the view that the progress of the renovation and upgrade works of both hotels were satisfactory. As of the date of this report, the Group's management expects that CP Guam will be rebranded and re-opened as "Crowne Plaza Resort Guam" and CP Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" in the third to fourth quarter of 2022, subject to final confirmation by IHC Hotel Limited ("**Hotel Manager**") (a subsidiary of InterContinental Hotels Group PLC ("**InterContinental Hotels Group**")).

Kanoa Resort

During the Reporting Period, Kanoa Resort continued to assist the CNMI Homeland Security and Emergency Management by providing its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon their arrival in Saipan. The Group received various fees during the Reporting Period for the services that have been provided to the local government of the CNMI under the relevant emergency contract. The Group is honored to be able to offer its continuous support to the local government in the fight against COVID-19.

Luxury Travel Retail Segment

For the first six months of 2022, revenue from the Luxury Travel Retail Segment was US\$3,574,000, representing an increase of US\$1,777,000 or 98.9% as compared with the corresponding period in 2021 of US\$1,797,000. The substantial increase was mainly due to the gradual recovery of the Guam local and tourism markets, boosting the revenue from the Group's operation in Guam.

Management Discussion and Analysis

In the beginning of 2022, the Group's luxury travel retail boutiques in Guam and Hawaii operated under the same business hours as in 2021. In March 2022, with the local and the tourism markets in Guam gradually recovering, all luxury travel retail boutiques in Guam resumed operating under normal business hours on a daily basis. One out of the Group's five luxury travel retail boutiques in Saipan has resumed its operation since November 2021. The temporary closure of the remaining luxury travel retail boutiques in Saipan have effectively cut down the operating costs and thus alleviated the negative financial and operational impacts of the pandemic on the Luxury Travel Retail Segment. The Group's management continued to exercise due care in inventory management, which substantially reduced the Group's inventory level.

Destination Services Segment

During the Reporting Period, revenue from the Destination Services Segment was US\$102,000, representing an increase of US\$34,000 as compared to the preceding year. Riding on the first ever travel bubble agreement with South Korea, the influx of tourists from South Korea to Saipan led to the business resumption of one of the Group's three excursion tours and raised the sales of the convenience store operation under the Segment. The segmental loss of US\$191,000 was mainly due to the fact that the tourism market has yet to recover in full and certain business operations of the Group under the Destination Services Segment remained temporarily closed throughout the first half of 2022.

III. MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures.

The Group had no significant investments held during the Reporting Period.

Management Discussion and Analysis

IV. SUBSEQUENT EVENTS

Despite the fact that international tourism remained 61% below 2019 levels as of the first quarter of 2022, the pent-up demand for leisure travel is gradually unleashed. With Europe leading the sector's rebound, the global tourism industry is on its way to a long-term and sustainable recovery with a strong pace.

Subsequent to the end of the Reporting Period, the Group continues to focus our efforts on completing the renovation and upgrade works of CP Guam and CP Saipan. On the other hand, Century Hotel remains open for business. Kanoa Resort continued to support the local government by providing its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements. As of the date of this report, the emergency contract between the Group and the relevant government authority has completed.

All luxury travel retail boutiques in Guam and Hawaii have resumed daily operation as per pre-COVID times. Besides, one out of the Group's five luxury travel retail boutiques in Saipan continues to be open for business since its resumption in November 2021. As of the date of this report, considering the gradual recovery of the Saipan tourism market, two more luxury travel retail boutiques in Saipan have resumed operation.

V. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Riding on the gradual resumption of some of our business operations, the financial position of the Group remained healthy. The Group generally finances its operations with internally generated cash flows, proceeds from the Listing and external financing. As at June 30, 2022, the total amount of cash and bank deposits of the Group was approximately US\$8,246,000, which is comparable to the balance as at December 31, 2021 amounting to approximately US\$8,077,000.

During the Reporting Period, the Group continued to draw down its existing banking facility to finance the renovation and upgrade works of CP Guam and CP Saipan under our asset rejuvenation plan. The Group's total bank borrowing as at June 30, 2022 was US\$34,000,000, representing an increase of US\$17,000,000 as compared to that as at December 31, 2021 mainly due to capital expenditure for the asset rejuvenation plan of the Group throughout the Reporting Period.

Management Discussion and Analysis

As at June 30, 2022, the Group had US\$34,000,000 interest-bearing bank borrowing (As at December 31, 2021: US\$17,000,000), and the undrawn portion of the relevant banking facility amounted to US\$9,000,000. Based on the scheduled repayments set out in the relevant banking facility letter, the maturity profile of the banking facility is spread over a period of five years, with approximately US\$1,492,000 repayable in the second year and approximately US\$32,508,000 repayable in the third to fifth year.

The Directors are of the view that the Group has adequate liquidity to meet its expected working capital requirements and capital expenditure requirements in the coming twelve months from June 30, 2022.

Gearing ratio of the Group is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of respective period and multiplied by 100%. As at June 30, 2022, the gearing ratio of the Group was 39.9% (As at December 31, 2021: 19.8%).

The capital structure of the Group consists of debt net of cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital, share premium and various reserves as shown in the condensed consolidated statement of financial position. There has been no change in the share capital structure of the Company since the Listing Date.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximize the return to the Shareholders through the optimization of the debt and equity balance. The Directors review the capital structure regularly, taking into account the cost of capital and the risk associated with the capital.

VI. FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most of the transactions settled in United States Dollars ("US\$"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at June 30, 2022, 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.

Management Discussion and Analysis

VII. FUTURE PLANS AND MARKET PROSPECTS

Despite the fact that the coronavirus kept evolving into more transmissible new variants, it is believed that the new variants cause milder symptoms and appear to put less strain on the health infrastructure of various countries. Riding on the high vaccination rates and the availability of effective COVID-19 treatments, policy makers appear to be getting more and more ready to further relax various arrival protocols and accelerate the opening up of borders.

The travel bubble agreement between Saipan and South Korea is ongoing with a promising influx of tourists, and Saipan remains the only place that the travel bubble is kept intact. Riding on the success of the South Korea travel bubble, the tourism resumption investment plan (“**TRIP**”) task force is focusing their effort to work on the travel bubble program with Japan. With effect from September 2022, United Airlines will provide direct flights to Saipan from Japan, supporting the revival of the CNMI’s tourism industry with a sustainable increase of tourists.

In view of the above, certain industry expert expects that the global tourism industry is on its way to a long-term and sustainable recovery.

Hotels & Resorts Segment

The renovation and upgrade works of CP Guam and CP Saipan under the asset rejuvenation plan and the rebranding works under the hotel management agreements with our Hotel Manager are ongoing. The Group’s management expects that CP Guam will be rebranded and reopened as “Crowne Plaza Resort Guam” and CP Saipan will be rebranded and reopened as “Crowne Plaza Resort Saipan” in the third to fourth quarter of 2022, subject to final confirmation by the Hotel Manager. Being the newest hotels in town, the Group’s management is confident that these two hotels will be uniquely positioned to capture the pent-up travel demand from the date of grand opening.

As of the date of this report, Kanoa Resort has completed the emergency contract with the CNMI Homeland Security and Emergency Management. As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager and Kanoa Resort will be rebranded as “voco Resort Saipan” after the completion of renovation and rebranding works. Kanoa Resort is temporarily closed as of the date of this report and the Group will commence the planning and design works for the renovation and rebranding in due course.

Management Discussion and Analysis

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

With the InterContinental Hotels Group managing CP Guam, CP Saipan and Kanoa Resort after their respective rebranding as "Crowne Plaza Resort Guam", "Crowne Plaza Resort Saipan" and "voco Resort Saipan", our management expects that this will create positive synergy among the three major hotels of the Group.

Luxury Travel Retail Segment

Riding on the gradual resumption of tourism markets, the Group's management will seek for expansion opportunities to bolster the Group's revenue source in the Luxury Travel Retail Segment. For Guam, the Group's management is negotiating with the landlord for stronger retail spaces to improve the segmental profitability. For Saipan, the Group's management will continue to closely monitor market conditions and changes in the global travel sentiment to gradually resume the full operations of the boutiques. For the expansion of the Group's footprint in Hawaii, the Group's management is seeking to identify stronger spaces with good adjacencies and reasonable rental conditions for new retail stores.

Other plans and prospects

To maintain the Group's long-term growth and for the best interests of the Group and the Shareholders as a whole, the Group's management continues to explore possible merger and acquisition opportunities.

Management Discussion and Analysis

VIII. CHARGE ON ASSETS

As at June 30, 2022 and December 31, 2021, the Group had a banking facility of US\$43,000,000, which were secured by certain buildings and investment properties owned by the Group, of which US\$34,000,000 and US\$17,000,000 were utilized, respectively.

IX. CONTINGENT LIABILITIES

As at June 30, 2022, the Group did not have any material contingent liabilities.

X. EMPLOYEES AND EMOLUMENT POLICY

As at June 30, 2022, the Group had a total of 178 (as at June 30, 2021: 190) full-time employees, including 105 employed in Saipan, 57 employed in Guam, 11 employed in Hawaii and 5 employed in Hong Kong. The reduced headcount was part of the cost-saving measures during the temporary closure of our hotels and resorts as well as luxury travel retail boutiques. As a responsible employer, the Group continues to value our employees and continues to strive to provide an excellent working environment. We have complied with all relevant labor laws and regulations and has formulated a set of human resources policies relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal employment opportunity, diversity, anti-discrimination and other benefits and welfare. Remuneration is determined with reference to market terms and performance, qualification and experience of individual directors and employees. During the Reporting Period, the total staff costs (including directors' emoluments) amounted to US\$1,798,000 (for the six months ended June 30, 2021: US\$3,349,000). The Company has adopted the Post-IPO Share Option Scheme on April 9, 2019 for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group. During the Reporting Period, no options were granted, exercised, cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at June 30, 2022.

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, 2022, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and 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 (Note a)	270,000,000	75%
Dr. TAN Henry	Interests in a controlled corporation (Note b)	270,000,000	75%

* The percentage has been compiled based on the total number of shares issued (i.e. 360,000,000) as of the date of this report.

Other Information

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 the founder of a discretionary family trust which is the registered owner of a 20% interest in Tan Holdings Corporation.

Save as disclosed above, as of 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.

IV. SUBSTANTIAL SHAREHOLDERS

As at June 30, 2022, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in “III. 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 Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of Interests in the Company*
THC Leisure Holdings Limited (Note a)	Beneficial interest	270,000,000	75%
Tan Holdings Corporation (Note a)	Interests in a controlled corporation	270,000,000	75%
Leap Forward Limited (Note a)	Interests in a controlled corporation	270,000,000	75%
Supreme Success Limited (Note a)	Interests in a controlled corporation	270,000,000	75%

* The percentage has been compiled based on the total number of shares issued (i.e. 360,000,000) as of the date of this report.

Note:

- (a) THC Leisure Holdings Limited directly holds 270,000,000 Shares (representing 75% of our entire issued share capital). THC Leisure Holdings Limited is 100% directly owned by Tan Holdings Corporation. Leap Forward Limited holds 39% interest in Tan Holdings Corporation directly and Supreme Success Limited holds 100% interest in Leap Forward Limited.

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

Other Information

V. UPDATE ON THE USE OF PROCEEDS

The net proceeds from the Company's Listing was US\$39,400,000 (equivalent to HK\$307,320,000, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 and supplemented by the 2019 Annual Report, 2020 Annual Report and 2021 Annual Report published on April 17, 2020, April 16, 2021 and April 23, 2022, respectively. During the Reporting Period, US\$62,000 of the net proceeds from the Listing had been utilized. The following table sets forth the use of proceeds by the Group as at June 30, 2022 and the current proceeds utilization plan of the Group. There is no change in the proceeds utilization plan since the 2021 Annual Report published on April 23, 2022.

	Estimated total capital expenditure and expenses by December 31, 2023 ^(a)		Approximate amount to be funded with the net proceeds from Listing ^(d)	Aggregate amount of net proceeds used as at June 30, 2022	Unused amount as at June 30, 2022	Estimated amount of net proceeds to be used for the year ending December 31, 2022	
	US\$'000	US\$'000				%	US\$'000
Asset rejuvenation plan							
CP Saipan	42,031	11,780	28.0%	11,780	—	—	—
Kanoa Resort	14,035	7,075	50.4%	3,250	3,825	—	3,825
CP Guam	45,112	10,700	23.7%	10,700	—	—	—
Sub-total	101,178	29,555		25,730	3,825	—	3,825
New travel retail boutiques							
New Saipan boutique	1,550	630	40.6%	630	—	—	—
New Guam boutique	1,550	1,370	88.4%	1,370	—	—	—
Other future boutiques	1,550	—	N/A	—	—	—	—
Sub-total	4,650	2,000		2,000	—	—	—
IT upgrade							
New reservation system	646	646	100%	201	445	445	—
New data server	—	—	N/A	—	—	—	—
New online booking interface	14	14	100%	14	—	—	—
New Wi-Fi systems and other IT expenses	1,504	1,340	89.1%	780	560	560	—
Sub-total	2,164	2,000		995	1,005	1,005	—
Digital sales and marketing	2,250	2,000	88.9%	851	1,149	1,149	—
General working capital	3,945	3,945	N/A	3,945	—	—	—
Total^(a)		39,400^(b)		33,521	5,979^(b)		

Notes:

- (a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (b) In respect of the amount of net proceeds from Listing, the exchange rate applied is US\$1.0 = HK\$7.8 and the amount in US\$ is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.
- (c) The outstanding amount of estimated capital expenditure or expenses not otherwise funded with the net proceeds from the Listing will be funded with our internal financial resources or external financing.
- (d) Subject to future operating conditions and market environment, we may incur additional expenses for these purposes in the future, such as carrying out additional renovation and upgrade works to our hotels, launching additional travel retail boutiques, other IT upgrade, other sales and marketing initiatives and general working capital. The estimated capital expenditure and expenses above represent our estimated funding requirements as of the date of this interim report only.

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

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 for the Reporting Period with no disagreement.

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

Other Information

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 as its code of corporate governance. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the CG Code throughout the Reporting Period.

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 as set out in Appendix 10 to the Listing Rules. After having made specific enquiries to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the Reporting Period.

IX. DISCLOSURE OF INFORMATION ON THE COMPANY AND THE STOCK EXCHANGE’S WEBSITE

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

By order of the Board

TAN Henry

*Vice Chairman, Executive Director and
Chief Executive Officer*

Hong Kong, August 30, 2022