



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

ANNUAL
REPORT
2021





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In case of any inconsistency between the English version and the Chinese version of this annual 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

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

Registered Public Interest Entity Auditor

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

Financial Calendar and Investor Relation Information

Announcement of 2021 Final Results	March 29, 2022	
Announcement of 2021 Interim Results	August 27, 2021	
Dividends	2021 Final 2021 Interim	Nil Nil
Closure of Register of Members for ascertaining shareholders' entitlement to attend and vote at the annual general meeting	Period from May 30, 2022 to June 2, 2022	
Date of Annual General Meeting in 2022	June 2, 2022	
Authorized Shares	500,000,000 shares	
Issued Shares	360,000,000 shares (as at December 31, 2021)	
Website address	www.saileisuregroup.com	
Stock Code	1832	
Board Lot	1,000 shares	
Financial Year End	December 31	

Key Financial Highlights

	2021	2020
	US\$'000	US\$'000
Revenue	19,801	40,784
Operating loss	(6,247)	(12,194)
Loss attributable to owners of the Company	(5,952)	(9,320)
As a percentage of revenue	-30.1%	-22.9%
Basic loss per share (US cents)	(1.7)	(2.6)
Dividend per share		
– Final (US cent)	–	–
– Interim (US cent)	–	–
Equity		
Attributable to owners of the Company	85,944	91,900

CHAIRMAN'S STATEMENT



Dear Shareholders,

It is my pleasure to present the annual report of S.A.I. Leisure Group Company Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the financial year ended December 31, 2021 (the “**Year**”).

OVERVIEW

It has been more than two years since the outbreak of COVID-19 in early 2020 which brought the global tourism activities to a halt. Since then, government authorities around the world have implemented a series of precautionary and control measures (including but not limited to travel bans and mandatory quarantine) to contain the epidemic. During the past two years, the pathogen itself did not eradicate. It kept on evolving into different variants from the very original coronavirus to the deadly Delta variant and then to the highly contagious Omicron variant, which swept through Europe, the U.S. and countries within the Association of South East Asian Nations (“**ASEAN**”) recently.



With increasing scientific research proving the safety and effectiveness of COVID-19 vaccines, authorities around the globe have put in much effort in boosting vaccination rates. Vaccination rate is now the most critical factor in determining a country's decision to lift or relax precautionary and control measures, and assure a sustained re-opening of borders. Although our key tourist origin markets, including but not limited to South Korea, Japan and mainland China, initially lagged behind in vaccination rates, they picked up their pace expeditiously during the Year. As of the report date, the double-jabbed vaccination rates of South Korea and mainland China are both over 85%; whilst Japan's is approximately 80%.

The Commonwealth of Northern Marianas Islands (the "**CNMI**") is one of the places with the highest vaccination rates globally. As of the report date, the eligible population of the CNMI and Guam was approximately 100% and over 95% fully vaccinated, respectively. Riding on the high community vaccination rates and people having appeared to have shifted their pandemic strategies to "co-living with the virus", Guam has lifted the mandatory quarantine requirement for travelers since July 2021; whilst the CNMI has further relaxed its precautionary and control measures, as well as the mandatory testing requirement for travelers on arrival with effect from February 2022.

Chairman's Statement

BUSINESS DEVELOPMENT

During the course of the pandemic, we continued to focus our efforts on the renovation and upgrade works of Fiesta Resort Guam (to be rebranded as "Crowne Plaza Resort Guam") ("**CP Guam**") and Fiesta Resort & Spa Saipan (to be rebranded as "Crowne Plaza Resort Saipan") ("**CP Saipan**") to take advantage of this period of business suspension. Having said that, the renovation progress of our hotels experienced different levels of delay due to the temporary suspension of operations of our guestroom furniture manufacturer and materials suppliers in Vietnam and mainland U.S.. Besides, the global supply chain shortage further aggravated the delay in delivery.

Particularly for CP Guam, we experienced a temporary halt in the upgrade works of the outdoor swimming pool in late 2021 as some cultural artifacts and human remains were uncovered during the demolition process. Our hotel fully cooperated with the State Historic Preservation Office of Guam (the "**SHPO**") and the contracted archaeological firm to follow protocols and guidelines for the proper and respectful handling of the cultural resources found. As of the report date, the renovation and upgrade works of our hotel have resumed, and the Group's management expects that CP Guam and CP Saipan will be rebranded and reopened in the second to third quarter of 2022, subject to final confirmation by our hotel manager.

GOING FORWARD

Amid concerns over the Delta and Omicron variants, policymakers appear to be leaning towards the strategy of "co-living with the virus". Authorities across the globe have further emphasized their respective vaccination drives, particularly in relation to the booster shot. South Korea, as one of our key tourist origin markets, continues to make good progress and injected a booster shot into almost half of its population and has started giving out a fourth jab to high-risk groups since February 2022. Other countries previously lagging behind in vaccination rates are now speeding up their pace of vaccination to secure a sustained re-opening of borders and revive the business and leisure traveling activities. In addition to this, COVID-19 treatments are on their way with new oral antiviral pills developed by reputable pharmaceutical companies, offering more light at the end of the tunnel.

We expect that the leisure travel market will recover as soon as the epidemic is contained. Riding on the success of the travel bubble between Saipan and South Korea, the CNMI Government and the tourism resumption investment plan ("**TRIP**") task force are working on the travel bubble program between Saipan and Japan. By the time the tourists return, we expect our two beach-front hotels will be respectively rebranded and re-opened as "Crowne Plaza Resort Guam" and "Crowne Plaza Resort Saipan". Being the newest products available in Guam and Saipan and leveraging on the InterContinental Hotels Group's extensive hotel management experience, membership program and loyalty customer base, as well as the brand recognition of the "Crowne Plaza" brand in our key tourist origin markets, the Group will be in a position to take advantage of a potentially strong resumption of the leisure travel market due to people's general pent-up desire to travel.

In 2022, we will continue to closely monitor changes in the global travel sentiment and market behavior and will make timely adjustments to the Group's business plans and strategies throughout the course of market recovery and seize the best market opportunities to achieve long-term and sustainable business growth. We will continue to enhance the image, recognition and market reputation of our "S.A.I. Leisure Group" brand so as to strengthen our position as market leader.

Lastly, I would like to extend my sincere gratitude to our management and staff for their commitment and hard work during the pandemic. I would also like to thank our shareholders and customers for their continuous support to and confidence in the Group.

S.A.I. Leisure Group Company Limited
Dr. TAN Siu Lin, SBS
Chairman

Hong Kong, March 29, 2022

MANAGEMENT DISCUSSION AND ANALYSIS





Management Discussion and Analysis

BUSINESS OVERVIEW

The continuous evolution of the COVID-19 pathogen has sent all countries on a roller coaster ride in 2021. With more and more scientific research affirming the safety and effectiveness of the vaccines, vaccination rate seems to be the most critical factor in determining a country's decision to lift or at least relax various precautionary measures imposed by government authorities (including but not limited to travel bans and mandatory quarantine requirements). To achieve a sustained re-opening of borders, countries around the world have put in much effort to accelerate the pace of vaccination. In the third quarter of 2021, whilst the impact of the deadly Delta variant gradually dissipated, a highly contagious Omicron variant swept through the globe, causing a surge of cases. Having said that, the vaccination speed of our key tourist origin markets, including but not limited to South Korea, Japan and mainland China kept accelerating and the return of tourists to the CNMI and Guam is auspicious. As of the date of this report, the double-jabbed vaccination rates of South Korea and mainland China have both reached over 85%; whilst Japan has reached approximately 80%. Particularly, South Korea has further accelerated the rollout of the third vaccine doses and even started giving out a fourth jab to high-risk groups since February 2022.

The local governments of Guam and the CNMI continue to work closely with the federal government, local officials as well as private sector partners to mitigate the impact of the pandemic and to set the stage for reopening tourism to Guam and the CNMI. In July 2021, Guam lifted the mandatory quarantine requirement for travelers if they are fully vaccinated and can show a negative PCR test or antigen test taken within 72 hours of arrival. Individuals previously infected by COVID-19 but have recovered within the three months preceding their arrival are also exempted from mandatory quarantine. The relaxation of restrictions goes much further in promoting Guam as a viable destination to travelers. Besides, with the high local vaccination rate, Guam has further removed various social distancing restrictions that have been in place for more than a year, liberating Guam from the long battle with the coronavirus.

During the Year, the CNMI Government has launched TRIP to entice airlines to come back to Saipan and to attract tourists from different tourist origin markets. Through the stringent measures implemented at the start of the outbreak and a willing and cooperative community, the CNMI was one of the places with the highest vaccination rate globally. This achievement has made the region a sought-after destination for willing travelers who seek for a vacation and laid the foundation for the establishment of the first ever travel bubble agreement with the South Korean Government in late 2021. The travel bubble provided that fully vaccinated Koreans will not be subject to quarantine when they return home from Saipan, and Saipan remains the only place that the travel bubble was kept intact.



Management Discussion and Analysis



During the Year, Kanoa Resort remained in operation and continued to support the local government authorities by providing its hotel rooms, facilities and meal services to persons subject to mandatory quarantine requirements upon arrival in Saipan. Century Hotel and all of the Group's luxury travel retail boutiques in Guam and Hawaii have also been open for business. As for CP Guam and CP Saipan, the Group has continued to focus our efforts on the renovation and upgrade works under our asset rejuvenation plan in order to take advantage of the period of business suspension due to the COVID-19 pandemic.

Effective cost-saving measures are still in place throughout the Year to mitigate the financial impacts of the pandemic on our Group. The Group's management decided to suspend the business operations of our luxury travel retail boutiques and destination services in Saipan for the majority of the Year until we have visibility on the return of tourists.

REVENUE AND OPERATING LOSS

For the Year, the Group recorded a revenue of US\$19.8 million, representing a decrease of US\$21.0 million or 51.5% from US\$40.8 million in the preceding year. The total revenue from our Saipan and Guam businesses dropped by 40.7% and 81.1%, respectively. The significant decrease in revenue was mainly due to the continuous impact of the COVID-19 pandemic across our business segments and the full-year closure of CP Guam and CP Saipan for the purpose of carrying out renovation and upgrade works, which led to a significant decrease in revenue derived from (1) hotel room rentals and food and beverage in Saipan and Guam; (2) retail of luxury clothing and accessories in Saipan, Guam and Hawaii; and (3) provision of destination services in Saipan.

Management Discussion and Analysis

Counting on effective cost-saving measures, the operating loss of the Group for the Year was US\$6.3 million, representing a decrease in loss of US\$5.9 million when compared with an operating loss of US\$12.2 million in the preceding year. The amount of operating loss as aforesaid has taken into account a number of non-cash items, including but not limited to (1) recognition of depreciation and amortization expenses relating to the Group's assets of approximately US\$4.5 million; and (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US\$1.3 million as a result of the renovation works currently being carried out to CP Saipan and certain modification works carried out in Kanoa Resort.

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

SEGMENTAL REVIEW

The Hotels & Resorts Segment, Luxury Travel Retail Segment and Destination Services Segment accounted for approximately 76.8%, 22.2% and 1.0% of the Group's total revenue for the Year respectively.

Hotels & Resorts Segment

For the Year, revenue generated from the Hotels & Resorts Segment was approximately US\$15.2 million, representing a decrease of US\$14.9 million or 49.5% when compared to the preceding year. The substantial decrease in revenue was mainly due to the full-year closure of CP Guam and CP Saipan for the purpose of carrying out renovation and upgrade works. Kanoa Resort continues to support the local government authorities by providing its hotel rooms, facilities and meal services to persons subject to the mandatory quarantine requirements upon arrival in Saipan. With the return of some business travelers, Century Hotel has also remained in operation throughout the Year.

The Group's management continued to implement effective cost-saving measures to mitigate the negative financial impact of the pandemic. For the Year, the negative segmental operating margin of the Hotels & Resorts Segment was mainly due to (1) the fact that certain assets were non-profit generating during the Year due to the closure of two out of the Group's four hotels and hence the depreciation and amortization expenses (non-cash items) for the Year under the Hotels & Resorts Segment was approximately US\$3.5 million; and (2) a one-time write-off of the Group's property, plant and equipment amounting to approximately US\$1.3 million as a result of the renovation works currently being carried out to CP Saipan and certain modification works carried out in Kanoa Resort.

CP Saipan

In January 2021, the Group's management took action to expedite our asset rejuvenation plan of CP Saipan to take advantage of the period of business suspension due to the COVID-19 pandemic. In order to carry out the renovation and upgrade works (including room refurbishment, landscaping upgrade and hospitality enhancement), the business operations of CP Saipan have been suspended from February 2021 until completion of the relevant works. After completion of the renovation and upgrade works, the hotel will be placed in the high-end market position, capable of commanding a higher revenue and reaching out to a wider and more premium customer base.

The Directors are of the view that the progress of the renovation and upgrade works of CP Saipan was satisfactory despite the fact that the Group experienced delays during the pandemic. The Delta variant of the coronavirus swept through many countries within ASEAN and caused suspension in the operation of our guestroom furniture manufacturer in Vietnam. Apart from that, the global supply chain shortage also aggravated the delay in delivery for all major furniture, fixtures and renovation materials from suppliers in Vietnam and mainland U.S.. As of the date of this report, the Group's management expects that CP Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" in the second to third quarter of 2022, subject to final confirmation by IHC Hotel Limited ("**Hotel Manager**") (a subsidiary of InterContinental Hotels Group PLC ("**InterContinental Hotels Group**")).

Management Discussion and Analysis

Kanoa Resort

During the year, 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 has received various fees during the Year for the services that have been provided to the local government of the CNMI under the emergency contract. The Group is honored to be able to offer its continuous support to the local government in the fight against COVID-19.

CP Guam

The renovation and upgrade works under the asset rejuvenation plan of CP Guam (including room refurbishment, landscaping upgrade and hospitality enhancement) continued throughout the Year. In order to carry out the renovation and upgrade works, the business operations of CP Guam have been suspended since May 2020. After completion of the renovation and upgrade works, the accommodation capacity of the hotel will be increased from 318 to 321 rooms and suites, and the hotel will be placed in the high-end market position, capable of commanding a higher revenue and reaching out to a wider and more premium customer base.

The progress of the renovation and upgrade works of CP Guam experienced delays during the pandemic due to the following reasons: (1) some cultural artifacts and human remains were uncovered when demolishing the original swimming pool in August 2021, leading to a temporary halt in the renovation and upgrade works of that area; (2) labor shortage in Guam; (3) suspension in the operation of the guestroom furniture manufacturer in Vietnam due to the impact of the Delta variant of the coronavirus in ASEAN countries as mentioned above; and (4) the global supply chain shortage aggravated the delay in delivery for all major furniture, fixtures and renovation materials from suppliers in Vietnam and mainland U.S.. In January 2022, the SHPO and the contracted archaeological firm have completed their work on the discoveries and our renovation and upgrade works have resumed. As of the date of this report, the Group's management expects that CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third quarter of 2022, subject to final confirmation by the Hotel Manager.

Luxury Travel Retail Segment

For the Year, revenue from the Luxury Travel Retail Segment was US\$4.4 million, representing a decrease of US\$5.7 million or 56.4% as compared to the preceding year. The substantial decrease was mainly due to the fact that the global tourism market has yet to recover and the temporary closure of some of the Group's luxury travel retail boutiques in Saipan.

Throughout the Year, the Group's luxury travel retail boutiques in Guam have resumed their operations with limited business hours (by appointment or during weekends); whilst the luxury travel retail boutiques in Hawaii operated as normal. The Group's management decided to continue suspending the business operations of some of the luxury travel retail boutiques in Saipan. The partial resumption/temporary closure of our luxury travel retail boutiques 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. Furthermore, the Group's management re-negotiated rental terms with the landlords in view of the pandemic and achieved more favorable terms for the Group's luxury travel retail boutiques in Saipan, Guam and Hawaii. Last but not least, the Group's management continued to exercise due care in inventory management, which substantially reduced the Group's inventory level.

For the Year, the negative segmental margin of the Luxury Travel Retail Segment was substantially reduced by approximately US\$6.7 million or 87.0%. Depreciation and amortization expenses (non-cash items) for 2021 under the Luxury Travel Retail Segment was approximately US\$1.0 million.

Management Discussion and Analysis

Destination Services Segment

For the Year, revenue from the Destination Services Segment was US\$0.2 million, representing a decrease of US\$0.4 million as compared to the preceding year. The segmental loss of US\$0.2 million was mainly due to the fact that the tourism market has yet to recover and thus the business operations of the Group's destination services segment remained temporarily closed during the Year. As of the date of this report, we have not resumed the operations of the Group's destination services in Saipan.

ACQUISITIONS AND INVESTMENTS

During the Year, Asia Pacific Hotels, Inc. (Guam) ("**APHI Guam**"), an indirectly wholly-owned subsidiary of the Company has entered into two construction contracts ("**Guam Construction Contracts**") with GPPC, Inc. ("**Contractor**"), an independent third party, as prime contractor in respect of the renovation and upgrade works for the public spaces and exterior of CP Guam.

As mentioned in the Announcement of the Company issued on February 19, 2021 and supplemented by the Circular of the Company published on June 21, 2021, the renovation works under the Guam Construction Contracts form part of the renovation and upgrade works of CP Guam under the Group's asset rejuvenation plan and the rebranding works under the hotel management agreement with the Hotel Manager in order to prepare CP Guam to be reopened under the new brand name "Crowne Plaza Resort Guam". The management of the Group currently expects that CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third quarter of 2022, subject to final confirmation by the Hotel Manager.

Furthermore, during the Year, Asia Pacific Hotels, Inc. ("**APHI Saipan**"), an indirectly wholly-owned subsidiary of the Company, has entered into two construction contracts ("**Saipan Construction Contracts**") with the Contractor as prime contractor in respect of the renovation and upgrade works for the guestrooms, public spaces and exterior of CP Saipan.

As mentioned in the Announcement of the Company issued on May 28, 2021 and supplemented by the Circular of the Company published on June 21, 2021, the renovation works under the Saipan Construction Contracts form part of the renovation and upgrade works of CP Saipan under the Group's asset rejuvenation plan and the rebranding works under the hotel management agreement with the Hotel Manager in order to prepare CP Saipan to be reopened under the new brand name "Crowne Plaza Resort Saipan". The management of the Group currently expects that CP Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" in the second to third quarter of 2022, subject to the final confirmation of the Hotel Manager.

Saved as aforesaid, the Group did not make any material acquisitions and disposals during the Year.

The Group had no significant investments held during the Year.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the beginning of 2022, the highly contagious Omicron variant of the coronavirus has continued to sweep through the globe, resulting in a surge of cases in most economies. Riding on the high vaccination rates in most countries, policymakers began to take a different approach after the lapse of two-years battling with COVID-19. Many started to adopt the policy of "co-living with the virus" and decided to re-open borders and revitalize the tourism industry.

Subsequent to the end of the Year, the Group continued 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 and Kanoa Resort continues to support the local government by providing its hotel rooms, facilities and meal services to persons subject to mandatory quarantine requirements. As of the date of this report, the Group and the relevant government authority are finalizing the documentation for the extension of the emergency contract in respect of Kanoa Resort until June 11, 2022.

Management Discussion and Analysis

All luxury travel retail boutiques in Guam remain in operation with limited business hours (by appointment or during weekends); whilst the luxury travel retail boutiques in Hawaii are operating as normal. As of the date of this report, our luxury travel retail boutiques and our destination services in Saipan remain temporarily closed until there is visibility on the return of tourists.

Subsequent to the end of the Year, the CNMI has surpassed its target number of population for vaccination. With approximately 100% of the CNMI's eligible population fully vaccinated, the local government of the CNMI decided to update entry protocols. With effect from February 8, 2022, all travelers entering the CNMI will no longer be tested on arrival. All travelers are required to complete a mandatory health declaration form and upload their vaccination card. Unvaccinated travelers are required to quarantine at home for at least five days and get tested five days after arrival at a Community-Based Testing site. Fully vaccinated travelers are required to get tested if they develop symptoms. As of March 28, 2022, the CNMI recorded a total of 11,022 cases and 33 deaths.

Meanwhile, Guam has lifted various precautionary measures (including but not limited to travel bans and mandatory quarantine requirements) since July 2021 and approximately 95% of Guam's eligible population was fully vaccinated as of the date of report. As of March 28, 2022, Guam recorded a total of 47,122 cases and 342 deaths.

In March 2022, both Japan and South Korea have updated their quarantine exemption guidelines, which provided that fully vaccinated travelers will be exempted from quarantine requirements when they return home from overseas.

FUTURE PLANS AND MARKET PROSPECTS

Even though the Delta wave of the pandemic subsided towards the end of 2021, the pathogen has no sign of being eradicated. Rather, it has evolved and became the highly contagious Omicron variant since the start of 2022. Although the new variant is more transmissible than the Delta variant, it causes milder symptoms. It swept through the world in early 2022 and brought massive waves of infections in different countries. Meanwhile, while cases have been spiking in many parts of ASEAN, most countries have not ramped up tougher local restrictions to the same extent as before. So far, the Omicron wave appears to be putting less strain on the health infrastructure of various countries than previous waves, giving the policymakers more confidence to resume or accelerate the opening up of borders.

Starting from 2022, authorities across the globe has further emphasized their respective vaccination drives, particularly in relation to the booster shot. With vaccination rates continuing to ramp up, countries are making efforts to scrap restrictions and target to reopen borders and revitalize the tourism industry. It appears that more and more travelers and countries (including but not limited to Europe, the U.S. and ASEAN) have recognized the endemic nature of COVID-19 and are conformable with "co-living with the virus". Furthermore, the availability of COVID-19 treatments is also in the spotlight, and as a result, for the first time in more than two years, there is a glimmer of hope (at least cautious optimism) that the world could be liberated from the long battle with COVID-19.

The travel bubble agreement between Saipan and South Korea is ongoing, and Saipan remains the only place that the travel bubble is kept intact. In February 2022, six low-cost carriers in South Korea have all submitted a letter of intent to provide direct flights to Saipan from all over South Korea. Together with Asiana Airlines, there are a total of seven airlines wanting to provide/providing direct flights to Saipan from South Korea. As such, the CNMI may expect to see increasing Korean tourists on the islands. On the other hand, the U.S. was removed from Japan's list of designated countries/regions since December 23, 2021, and hence returnees to Japan from U.S. territories such as the CNMI and Guam are no longer subject to home quarantine and other measures with effect from March 1, 2022. This facilitates the TRIP task force to work on the travel bubble program with Japan and to entice airlines to provide direct flights to Saipan. All these efforts support 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, and the Group's management is cautiously optimistic that the Group's business operations will fully resume in the foreseeable future.

Management Discussion and Analysis

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 Saipan will be rebranded and reopened as "Crowne Plaza Resort Saipan" and CP Guam will be rebranded and reopened as "Crowne Plaza Resort Guam" in the second to third 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 continues to support the local government to fight against COVID-19 and the Group is prepared to extend the emergency contract with the CNMI Homeland Security and Emergency Management subject to the need of the community. As announced on December 29, 2020, the Group has entered into the hotel management agreement in respect of Kanoa Resort with the Hotel Manager. Kanoa Resort will be rebranded as "voco Resort Saipan" soon after the completion of the renovation and rebranding works which will be carried out at the end of the emergency contract.

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.

The Directors believe that the adoption of the policy of "co-living with the virus" by various policymakers and the high vaccination rates will likely accelerate the opening up of borders and revitalize business and leisure travels sooner or later. Despite the fact that the development of the pandemic remains unpredictable, the Group's management will continue to closely monitor market conditions, changes in the global travel sentiment and market behavior, and will make timely adjustments to the Group's business strategies.

Luxury Travel Retail Segment

In anticipation of the resumption of tourism markets as a result of "co-living with the virus", especially in the Group's key tourist origin markets, the Group's management will seek for expansion opportunities to bolster the Group's revenue source. For Guam, the Group's management believes that the segmental profitability could be improved with an expansion into stronger retail spaces. For Saipan, the Group's management believes that enhancing customers' overall shopping experience is the key to maximizing sales level. 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 Company and the Shareholders as a whole, the Group's management continues to explore possible merger and acquisition opportunities. The Group's management believes that the downturn of the macro-economy as a result of the COVID-19 outbreak would increase the availability of favorable merger and acquisition deals in the market.

Management Discussion and Analysis

INVESTOR RELATIONS AND COMMUNICATIONS

The Group acknowledges the importance of communication with our Shareholders. The Group promotes investor relations proactively through meetings with analysts and investors, media luncheon and company interviews, subject to COVID-19 restrictions. Each year, an annual general meeting will be called by giving not less than 20 clear business days' notice and the Directors will be available at the annual general meeting to answer questions on the Group's business.

The Group encourages two-way communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases to inform investors of our latest development. The Group regularly updates its corporate information on the Company's website (www.saileisuregroup.com) in both English and Chinese.

CONTINGENT LIABILITIES

As at December 31, 2021 and 2020, the Group did not have any material contingent liabilities.

VALUATION OF PROPERTIES

For the purpose of the Listing, a valuation as at January 31, 2019 was conducted on the properties held by our Group in Saipan and Guam (the "**Properties**"). The Properties include premises occupied by our Group for our business operations and premises in our hotels and resorts leased to third parties on concessions in return for a rental income. The Properties were valued at US\$114.3 million in aggregate as at January 31, 2019 by Savills Valuation and Professional Services (S) Pte Ltd, as disclosed in the Prospectus published on April 30, 2019. The Properties were classified as property, plant and equipment and investment properties in the consolidated statement of financial position. As detailed in notes 2.6 and 2.8 to the consolidated financial statements, the property, plant and equipment and investment properties are carried at historical cost less depreciation and impairment loss. Accordingly, no additional depreciation would be charged to the consolidated statement of comprehensive income regardless of the changes in the market value of the Properties.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Year, the Group continues to focus our efforts on the renovation and upgrade works of CP Guam and CP Saipan under our asset rejuvenation plan. Despite the fact that most of the business operations of the Group were suspended due to the COVID-19 pandemic, the financial position of the Group remained strong. The Group generally finances its operations with internally generated cash flows, proceeds from the Listing and external financing. As at December 31, 2021, the total amount of cash and bank deposits of the Group was approximately US\$8.1 million, representing a decrease of approximately US\$30.1 million as compared to that as at December 31, 2020 mainly due to capital expenditure for the asset rejuvenation plan of the Group during the Year.

During the Year, the Group took out a new banking facility of US\$43.0 million to finance the asset rejuvenation plan of the Group. As at December 31, 2021, US\$17.0 million of the new banking facility was drawn to finance the renovation and upgrade works currently being carried out to CP Guam and CP Saipan. During the Year, the total capital expenditure for the asset rejuvenation plan was approximately US\$48.1 million.

As at December 31, 2021, the Group had US\$17.0 million interest-bearing bank borrowing (As at December 31, 2020: Nil), and the undrawn portion of the relevant banking facility amounted to US\$26.0 million. 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\$0.4 million repayable in the second year, approximately US\$1.7 million repayable in each of the third and the fourth year, and approximately US\$13.2 million repayable within the fifth year.

Management Discussion and Analysis

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 December 31, 2021.

Gearing ratio of the Company is calculated based on the total interest-bearing bank borrowings divided by total equity as at the end of respective years and multiplied by 100%. As at December 31, 2021, the gearing ratio of the Group was 19.8% (2020: Nil).

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 consolidated statement of financial position. There has been no changes 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.

CHARGE ON ASSETS

As at December 31, 2021 and 2020, the Group had aggregate banking facilities of US\$43.0 million and approximately US\$11.0 million respectively, which was secured by certain buildings and investment properties owned by the Group. As disclosed above, the Group took out a new banking facility of US\$43.0 million to finance the asset rejuvenation plan of the Group during the Year. The new banking facility replaced the previous banking facilities of approximately US\$11.0 million. Unutilized facilities at the end of December 31, 2021 and 2020 amounted to US\$26.0 million and approximately US\$11.0 million, respectively.

FOREIGN EXCHANGE RISK MANAGEMENT

The subsidiaries of the Group mainly operate in Saipan, Guam and Hawaii with most transactions settled in United States dollars ("US Dollars"). Foreign exchange rate risk arises when recognized financial assets and liabilities are denominated in a currency that is not the entity's functional currency. As at December 31, 2021, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are also primarily denominated in US Dollars. Therefore, the Group's foreign exchange risk is insignificant.

EMPLOYEES AND EMOLUMENT POLICY

As at December 31, 2021, the Group had a total of 196 (2020: 206) full-time employees, including 128 employed in Saipan, 53 employed in Guam, 10 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 director and employee. During the Year, the total staff costs (including directors' emoluments) amounted to US\$6.1 million (2020: US\$13.6 million). On April 9 2019, the Company adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons, including the employees of the Group, for their contribution to the Group. Details of the share option scheme are set out under the heading "Share Option Scheme" in the section headed "Report of Directors" on page 33 of this annual report.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. TAN Siu Lin, sbs, (“Chairman Tan”), aged 91, has been the Chairman of the Board and a Non-Executive Director of the Company since November 2018. He founded the Group in April 1997. Chairman Tan is a prominent entrepreneur in mainland China, Hong Kong and the Western Pacific Region with over 50 years of experience in developing a diversified portfolio of business ventures. He is the honorary director of Peking University Education Foundation (北京大學教育基金會), chairman of the board of the Peking University Luen Thai Center for Supply Chain System Research & Development (北京大學聯泰供應鏈系統研發中心), and chairman of the board of Tan Siu Lin School of Business in Quanzhou Normal University (泉州師範學院陳守仁商學院). Chairman Tan is the permanent honorary director of the board of Huaqiao University (華僑大學) and the honorary consul of the Federated States of Micronesia in Hong Kong. Chairman Tan holds an honorary doctoral of laws degree from the University of Guam and has been awarded honorary university fellowships by both the Hong Kong Baptist University and the Chinese University of Hong Kong. He is also the founder, honorary life chairman and executive director of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. Chairman Tan is the father of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder), Mr. Tan Willie (a Non-Executive Director), Mr. Tan Jerry Cho Yee (a member of our senior management) and the grandfather of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Chairman Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings “Directors’ and Chief Executives’ Interest in Shares” in the section headed “Report of Directors” on page 36 of this annual report.

EXECUTIVE DIRECTORS

Dr. TAN Henry, BBS, JP, aged 68, has been the Vice Chairman of the Board, an Executive Director and the Chief Executive Officer of the Company since November 2018. He is also a member of our Nomination and Remuneration Committees. He joined the Group in April 1997. Dr. Tan has over 40 years of experience in conducting business in mainland China, Hong Kong and the Western Pacific Region and has gained in-depth local knowledge, business and personal connections and market insight in the region. Dr. Tan is very active in the community. He is the chairman of the Textile Council of Hong Kong, a court member of The Hong Kong Polytechnic University, a member of the Council and the chairman of the Advisory Committee of College of Professional and Continuing Education of The Hong Kong Polytechnic University, and an honorary court member of the Hong Kong Baptist University. Dr. Tan is a member of the Election Committee of Hong Kong and a Hong Kong Deputy to the Thirteenth National People’s Congress of the People’s Republic of China. He is an honorary trustee of Peking University (北京大學) and a director of the board of Huaqiao University (華僑大學). Dr. Tan is a former chairman of Po Leung Kuk. He was awarded a Bronze Bauhinia Star in November 2005 and was appointed as Justice of the Peace in July 2008 by the Government of Hong Kong Special Administrative Region. Dr. Tan holds a bachelor’s degree and a master’s degree in business administration from the University of Guam. He also received an honorary doctorate in humane letters from the University of Guam in recognition of his contribution in the Western Pacific Region. Since June 2020, Dr. Tan has been the independent non-executive director of SinoMedia Holding Limited (Stock Code: 623), the shares of which are listed on the Main Board of the Stock Exchange. Dr. Tan is a son of Chairman Tan (Chairman, a non-Executive Director and a controlling shareholder), a brother of Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management), the father of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President), and a brother-in-law of Mr. Chiu George (an Executive Director). He is also a director of S.A.I. CNMI Holdings Limited, S.A.I. CNMI Tourism Inc., S.A.I. Guam Holdings Limited, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries. Dr. Tan is also a controlling shareholder of the Company. Details of his interest in the shares of the Company are set out under the headings “Directors’ and Chief Executives’ Interest in Shares” in the section headed “Report of Directors” on page 36 of this annual report.

Mr. CHIU George, aged 60, has been an Executive Director of the Group since November 2018. Mr. Chiu joined the Group in April 1997 and has held directorship and key management roles. Mr. Chiu is recognized as a successful businessman in the Western Pacific Region with over 30 years of experience in overseeing and managing various business ventures in the region. Mr. Chiu has a strong presence in the business community of the Western Pacific Region. He is also actively involved in other community organizations. Mr. Chiu is the president of both the Chinese Chamber of Commerce of Guam and the Guam Chinese Association. He also serves as the director of the board of the Guam Economic Development Authority and the director/treasurer of the board of the University of Guam Endowment Foundation. On February 24, 2022, Mr. Chiu was elected as the director of the board of the Guam Visitors Bureau. Mr. Chiu holds a bachelor’s degree in business administration with double majors in management and accounting from the University of Guam. Mr. Chiu is the brother-in-law of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). He is also a director of S.A.I. CNMI Tourism Inc., S.A.I. Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

Management Executives

Mrs. SU TAN Jennifer Sze Tink, aged 39, has been an Executive Director of the Company since November 2018. She is also the Executive Vice President of our Group. Mrs. Su Tan joined our Group in February 2017. She has a solid background and experience in the hotel and hospitality industry and marketing. Mrs. Su Tan is a member of the Industry Advisory Committee of the School of Hotel and Tourism Management of The Hong Kong Polytechnic University. Mrs. Su Tan holds a bachelor's degree in science majoring in hotel and restaurant administration from Cornell University, the U.S.. She is a granddaughter of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a daughter of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and a niece of Mr. Chiu George (an Executive Director), Mr. Tan Willie (a Non-Executive Director) and Mr. Tan Jerry Cho Yee (a member of our senior management). Mrs. Su Tan is also a director of Asia Pacific Hotels, Inc. and Asia Pacific Hotels, Inc. (Guam), all of which are our subsidiaries.

Mr. SCHWEIZER Jeffrey William, aged 68, has been an Executive Director of the Company since April 2019. He has also been the Head of Hotel Operations of our Group since November 2018. Mr. Schweizer joined the Group in April 2005. He has over 30 years of experience in the hospitality industry. He served as chairman of the board of the Guam Hotel and Restaurant Association (the "GHRA") in 2009, 2018 and 2019, and has been a longstanding board member of the GHRA. Mr. Schweizer is currently a member of Skål Club of Guam and had been a longstanding member of the Chinese Chamber of Commerce in Guam, a member of the Guam Chamber of Commerce and one of its subcommittees, the Armed Forces Committee. Mr. Schweizer completed the advanced hotel management program of the Hong Kong Winter School 2004 of The Hong Kong Polytechnic University and completed the food and beverage management seminar held by the School of Hotel Administration, Cornell University, the U.S..

NON-EXECUTIVE DIRECTOR

Mr. TAN Willie, aged 65, has been a Non-Executive Director of the Company since November 2018. Mr. Tan joined the Group in April 1997. He has over 30 years of experience in business management. Mr. Tan is the vice chairman of the board of Tan Holdings Corporation ("Tan Holdings") (a controlling shareholder), which is the privately held business of the family of Chairman Tan. Mr. Tan has an extensive experience in tourism and retail businesses. He is also the chief executive officer of Skechers China Limited, Skechers Hong Kong Limited, Skechers South Korea Limited and Skechers Southeast Asia Limited. He is currently the external vice president of the Philippines-China Business Council, chairman of the Confederation of Garment Exporters of the Philippines and was appointed honorary ambassador-at-large for Guam, U.S. in 2007. Mr. Tan holds a bachelor's degree in business administration from the University of Guam. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Jerry Cho Yee (a member of our senior management) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of Asia Pacific Hotels, Inc., Gemkell (Saipan) Corporation, Gemkell Corporation and Gemkell U.S.A. LLC, all of which are our subsidiaries.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Leung Choi Albert, aged 67, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Remuneration Committee and a member of our Audit and Nomination Committees. Mr. Chan has over 40 years of banking experience based in Hong Kong. Prior to his retirement in 2017, he was Head of Commercial Banking Hong Kong of The Hongkong and Shanghai Banking Corporation Limited ("HSBC"). Before that, he assumed various management positions in HSBC including retail banking, treasury, corporate banking and risk management. Since January 2019, Mr. Chan has been a non-executive director of HSBC Bank (China) Company Limited, a wholly owned subsidiary of the HSBC group. Mr. Chan holds a bachelor's degree in science from the University of Hong Kong.

Management Executives

Professor CHAN Pak Woon David, aged 66, has been an Independent Non-Executive Director since April 2019 and is the Chairman of our Nomination Committee and a member of our Audit and Remuneration Committees. Prof. Chan has over 30 years of experience in the hotels and resorts industry. He is currently a professor and the Director of the School of Hotel and Tourism Management of the Chinese University of Hong Kong and has extensive experience in the hotels and resorts industry. Prof. Chan holds a bachelor's degree in business administration from the University of Hawaii at Manoa in the U.S., a master's degree in China laws from Jinan University in the People's Republic of China (the "PRC") and a doctoral degree of management science in tourist management from Sun Yat-Sen University in the PRC.

Mr. MA Andrew Chiu Cheung, aged 80, has been an Independent Non-Executive Director of the Company since April 2019 and is the Chairman of our Audit Committee. Mr. Ma holds a bachelor's degree in economics from the London School of Economics and Political Science (The University of London) in the United Kingdom and has over 40 years of experience in accounting, auditing and finance. He is a Fellow Member of each of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Directors. Mr. Ma is a founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Limited in Hong Kong. He is presently a director of Mayee Management Limited. He is currently an independent non-executive director of Asiaray Media Group Limited (Stock Code: 1993) and C-Mer Eye Care Holdings Limited (Stock Code: 3309), the shares of all of which are listed on the Main Board of the Stock Exchange. During the year, Mr. Ma has retired as an independent non-executive director of Chong Hing Bank Limited (Stock Code: 1111) and ceased to be the chairman of its connected party transactions committee and a member of its nomination and remuneration committee with effect from May 14, 2021. Further, Mr. Ma has retired as an independent non-executive director of China Resources Power Holdings Company Limited (Stock Code: 836) and ceased to be the chairman of its audit and risk committee and a member of the sustainability committee and remuneration committee with effect from September 15, 2021. Mr. Ma previously served as an independent non-executive director of Asia Financial Holdings Limited (Stock Code: 662) and C.P. Pokphand Co. Ltd. (Stock Code: 43), the shares of all of which are listed on the Main Board of the Stock Exchange, until his retirement on May 23, 2019 and June 5, 2020, respectively.

SENIOR MANAGEMENT

Mr. TAN Jerry Cho Yee, aged 60, has been our President, Guam & Saipan since November 2018. He joined the Group in April 1997. Mr. Tan is the chief executive officer of Tan Holdings (a controlling shareholder), which is the privately held business of the family of Chairman Tan, and has over 30 years of management experience in doing business in the Western Pacific Region, particularly in Guam and the CNMI. Mr. Tan received recognition as an entrepreneur and community leader including Executive of the Year from the Guam Business Magazine, Employer of the Year from the CNMI Society for Human Resource Management, Business Person of the Year from the Saipan Chamber of Commerce, and Sports Administrator of the Year from the Northern Marianas Sports Association. Mr. Tan is the vice chairman of Tan Siu Lin Foundation and the chairman of Pacific Century Fellows Marianas Chapter, a non-profit leadership mentoring program for young people working in both public and private sectors in the CNMI. He serves as co-chairman of the Governor's Council of Economic Advisers of the CNMI together with the CNMI Governor Ralph DLG Torres since 2019. He previously served as a board member of the Marianas Visitors Authority from 2012 to 2020 and was its chairman from 2006 to 2010. He is the president of the Northern Marianas Sports Association since 2020, the president of the Northern Mariana Islands Football Association since 2005 and the president of the Chinese Association of Saipan, U.S.A. since 2005. Mr. Tan graduated magna cum laude from the University of Guam with double majors in management and accounting. He is a son of Chairman Tan (Chairman, a Non-Executive Director and a controlling shareholder), a brother of Dr. Tan Henry (Vice Chairman, an Executive Director, the Chief Executive Officer and a controlling shareholder) and Mr. Tan Willie (a Non-Executive Director) and an uncle of Mrs. Su Tan Jennifer Sze Tink (an Executive Director and the Executive Vice President). Mr. Tan is also a director of S.A.I. CNMI Tourism Inc., S.A.I. Guam Tourism Inc., Asia Pacific Hotels, Inc., Asia Pacific Hotels, Inc. (Guam), Gemkell (Saipan) Corporation and Century Tours, Inc. and a manager (equivalent to a director) of CKR, LLC, all of which are our subsidiaries.

Management Executives

Ms. CHEUNG Pik Shan Bonnie, aged 45, has been our Group Financial Controller since November 2018 and was appointed as the Company Secretary of the Company since April 2019. She joined the Group in April 2018. Ms. Cheung has over 20 years of experience in the field of auditing and accounting. Before transferring to the Group, she was a vice president of the corporate finance division of Luen Thai Holdings Limited (Stock Code: 311), a company listed on the Main Board of the Stock Exchange. Ms. Cheung is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Cheung holds a bachelor's degree in accountancy from The Hong Kong Polytechnic University.

The Board has the pleasure in presenting to the Shareholders this annual report together with the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are (1) the operation of hotels and resorts in Saipan and Guam, (2) luxury travel retail business in Saipan, Guam and Hawaii and (3) the provision of destination services in Saipan, the particulars of which are set out in note 13 to the consolidated financial statements.

The Listing of and the dealing in the Shares on the Stock Exchange commenced on the Listing Date, being May 16, 2019.

An analysis of the Group's performance by principal activities during the Year is set out in note 5 to the consolidated financial statements on pages 99 to 102 of this annual report.

GROUP PROFIT/LOSS

The loss of the Group for the Year is set out in the consolidated statement of comprehensive income on page 68 of this annual report. The state of the Group's affairs as at December 31, 2021 are set out in the consolidated financial statements on pages 68 to 137 of this annual report.

DIVIDENDS

No interim dividend (2020: Nil) was declared during the Year. The Board has resolved not to recommend the payment of a final dividend for the Year (2020: Nil).

The Board is not aware of any Shareholders who have waived or agreed to waive any dividends.

CASH FLOW

The cash flow position of the Group for the Year is set out and analyzed in the consolidated statement of cash flows on page 72 of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group for the Year together with a discussion and analysis of its performance and the material factors underlying its performance as well as the Group's future business development are set out in the sections headed "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 6 to 9 and pages 10 to 20 of this annual report respectively. An analysis of the Group's performance during the Year using financial key performance indicators is provided in the section headed "Key Financial Highlights" on page 5 of this annual report.

Report of Directors

ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

Detailed information and a discussion on the environmental, social and governance practices adopted by the Group will be set out in the “Environmental, Social and Governance Report” which will be a separate report to be published on the websites of the Hong Kong Exchanges and Clearing Limited (“**HKEX**”) and the Company no later than five months after the end of the year.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group’s business operations are mainly carried out by the Company’s subsidiaries in Saipan, Guam and Hawaii, the United States of America (the “**U.S.**”), while the Company is listed on the Main Board of the Stock Exchange in Hong Kong. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the Year and up to the date of this annual report, the Board is not aware of any material non-compliance with the relevant laws and regulations in the countries where the Group is operating.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that business operations and financial results of the Group may be affected by various risks and uncertainties. Description of the principal risks and uncertainties faced by the Group are set out in the section headed “Principal Risks and Uncertainties” on pages 43 to 44 of this annual report.

RELATIONSHIP WITH KEY STAKEHOLDERS

The success of the Group depends on the support from key stakeholders which comprise customers, suppliers, employees and Shareholders.

Customers and Suppliers

The Group appreciates the importance of maintaining a good relationship with its customers and suppliers to meet its immediate and long-term business goals. The Group values customers’ feedback and addresses their concerns in a timely manner. During the Year, there is no circumstance of any event between the Group and its customers or suppliers which will have a significant impact on the Group’s business and on which the Group’s success depends.

Employees

Employees constitute one of the valuable assets of the Group. The key objective of the Group’s human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. Sufficient training and development are provided to all the employees and equal opportunities are provided within the Group for career advancement.

Shareholders

One of the major goals of the Group is to maximize the return to the Shareholders. The Group endeavors to foster the development of business for achieving sustainable profit growth and rewarding the Shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group.

MAJOR CUSTOMERS

The Group's major customers during the year are primarily the Commonwealth Health Center in the CNMI, corporate customers, as well as tour operators of our Hotels & Resorts Segment. During the Year, the aggregate percentage of the Group's revenue from sales attributable to the Group's five largest customers was 74.1%. In addition, the Group's largest customer accounted for approximately 73.5% of the total revenue from sales.

Our Directors have confirmed that, save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interest in Contracts" below and as at December 31, 2021, all of our five largest customers (by revenue contribution) were independent third parties. None of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had an interest in any of the five largest customers.

MAJOR SUPPLIERS

The Group's major suppliers are utilities and food and beverage ingredient suppliers in our Hotels & Resorts Segment, as well as brand owners in our Luxury Travel Retail Segment. During the Year, the aggregate percentage of the Group's purchases attributable to the Group's five largest suppliers was less than 30%. In addition, the Group's largest supplier accounted for approximately 5.6% of the total purchases.

As at December 31, 2021, none of our Directors, their close associates or our existing Shareholder(s) who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital had an interest in any of the five largest suppliers.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at December 31, 2021 are set out in note 13 to the consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. The net proceeds from the Listing were US\$39.4 million (equivalent to HK\$307.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by the Company in connection with the Listing). The Company has applied and will continue to apply the net proceeds from the Listing for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company published on April 30, 2019 ("**Prospectus**") and supplemented by the 2019 Annual Report published on April 17, 2020 ("**2019 Annual Report**") and the 2020 Annual Report published on April 16, 2021 ("**2020 Annual Report**").

Report of Directors

Utilization during the Year

As at December 31, 2021, the Group had utilized the net proceeds from the Listing as set out in the table below:

	Net proceeds from Listing	Utilization during the Year	Aggregated amount utilized as at December 31, 2021	Percentage utilized as at December 31, 2021	Unutilized amount
	US\$'000	US\$'000	US\$'000		US\$'000
Asset rejuvenation plan	29,555	14,933	25,152	85.1%	4,403
New travel retail boutiques	2,000	320	2,000	100.0%	—
IT upgrade	2,000	110	995	49.8%	1,005
Digital sales and marketing	2,000	159	851	42.6%	1,149
General working capital	3,945	1,710	3,945	100.0%	—
Total ^(a) :	39,400 ^(b)	17,232	32,943	83.6%	6,457 ^(b)

Notes:

- (a) The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- (b) In respect of the amount of net proceeds from Listing, the exchange rate applied is US\$1.0 = HK\$7.8 and the amount in US\$ is calculated according to such exchange rate. As a result, the difference between the net value of the remaining funds in the above table and the actual amount of funds in the retained account is due to the difference between the controlling exchange rate and the actual exchange rate.

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

Adjustments to the timing for use of proceeds of Listing

Minor adjustments have been made to the timing for the use of proceeds from Listing when compared to the implementation plan set out in the 2020 Annual Report. The Board is of the view that the adjustments made were not material. Please refer to the revised plan set out below under the heading "Revised proceeds utilization plan" for the updated expected timeline for the utilization of the net proceeds from the Listing.

The adjustments only relate to the utilization of proceeds from the Listing for the purposes of the Group's asset rejuvenation plan, IT upgrades and digital sales and marketing. There is no change to the timing as regards the use of proceeds for the purposes of new travel retail boutiques and general working capital, which have been applied/will be applied in accordance with the utilization plan set out in the 2020 Annual Report.

The main reasons for the adjustments made to the expected timeline for utilization of proceeds for the purposes of the Group's asset rejuvenation plan, IT upgrades and digital sales and marketing are as follows:-

1. Asset rejuvenation plan

CP Guam and CP Saipan

Due to the COVID-19 outbreak, the Group has expedited its asset rejuvenation plan for CP Guam and CP Saipan. There is no change to the amount and timing for the use of proceeds from Listing in relation to the asset rejuvenation plan for CP Guam and CP Saipan as set out in the 2020 Annual Report, and the total amount of proceeds allocated to the asset rejuvenation plan of CP Guam and CP Saipan has been fully utilized as at December 31, 2021. However, it should be noted that the estimated total capital expenditure for the asset rejuvenation plan of CP Guam and CP Saipan is now projected to be approximately US\$45.1 million and US\$42.0 million, respectively, representing an increase of approximately US\$7.4 million and US\$3.9 million, respectively, as compared to the amounts disclosed in the 2020 Annual Report. The increase is primarily due to various changes in the scope of work for both hotels. For example, it was discovered during the demolition process that a large number of windows of CP Guam required full replacement, and various fire life safety enhancements were required for both CP Guam and CP Saipan in order to fulfill the "Crowne Plaza" brand standard. In addition, as some cultural artifacts and human remains were uncovered during the demolition of the swimming pool of CP Guam, additional costs were incurred to engage a professional archaeological firm to properly handle the removal process. As the additional estimated capital expenditure was/will be funded by the Group's internal resources and external financing, there is no change to the total amount of proceeds from Listing allocated to the asset rejuvenation plan of CP Guam and CP Saipan.

Kanoa Resort

The implementation of the asset rejuvenation plan of Kanoa Resort has been delayed due to the ongoing impact of the COVID-19 pandemic. Under an emergency contract with the CNMI Homeland Security and Emergency Management, Kanoa Resort has been providing rooms and services to persons subject to mandatory quarantine requirements upon their arrival in Saipan. As of the date of this report, the parties are finalizing the documentation for the extension of the emergency contract until June 11, 2022. The renovation and upgrade works for Kanoa Resort will be carried out at the end of the emergency contract and Kanoa Resort will be rebranded as "voco Resort Saipan" soon after the completion of the renovation and rebranding works. Subject to any further renewal of the emergency contract, the Directors expect that a large portion of the capital expenditure for the asset rejuvenation plan of Kanoa Resort will be incurred in the year ending December 31, 2023 and hence the proceeds from the Listing will be fully utilized in the year ending December 31, 2023. There is no change in the amount of proceeds from the Listing allocated towards the asset rejuvenation plan of Kanoa Resort. All additional capital expenditure, if any, will be funded partly by the Group's internal resources and partly by external financing.

Report of Directors

2. IT upgrade

As there has been delays in the implementation of the asset rejuvenation plan and the reopening schedule of CP Guam and CP Saipan, there has been a delay in the implementation of our IT upgrade works. We have only incurred capital expenditure of approximately US\$110,000 in IT upgrade works during the Year. We expect to use the unutilized portion of the proceeds from the Listing in the year ending December 31, 2022 as we fully integrate into the InterContinental Hotels Group's IT system for CP Guam and CP Saipan. There is no change to the total amount of proceeds from the Listing to be used for IT upgrade purposes as disclosed in the 2020 Annual Report.

3. Digital Sales and Marketing

As the global leisure tourism market has yet to fully recover from the impact of the COVID-19 pandemic and there has been delays in the implementation of the asset rejuvenation plan and the reopening schedule of CP Guam and CP Saipan, we have delayed our digital sales and marketing plans accordingly. We have only incurred capital expenditure of approximately US\$159,000 in digital sales and marketing during the Year. In light of the potentially strong recovery of the market due to people's general pent-up desire to travel, we plan to aggressively market ourselves in our target customer markets as soon as we have visibility on market resumption. We expect to use the unutilized portion of the proceeds from the Listing in the year ending December 31, 2022 when CP Guam and CP Saipan reopen for business.

Save as set out above, there are no material changes or delay in the use of net proceeds from the Listing.

The Company will continue to apply the unutilized net proceeds from the Listing for the purposes stated in the Prospectus, taking into account the revised proceeds utilization plan, our development strategy, as well as market conditions. The Company expects that the remaining unutilized proceeds will be fully used by December 31, 2023.

Revised proceeds utilization plan

Set out below is the revised proceeds utilization plan of the Company:

	Estimated total capital expenditure and expenses by December 31, 2023 ^(c)	Approximate amount to be funded with the net proceeds from Listing ^(b)		Amount of net proceeds used in the year ended December 31, 2021	Aggregate amount of net proceeds used as at December 31, 2021	Unutilized amount as at December 31, 2021	Estimated amount of net proceeds to be used for the year ending December 31, 2022 and 2023	
	US\$'000	US\$'000	%	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Asset rejuvenation plan								
CP Saipan	42,031	11,780	28.0%	11,065	11,780	–	–	–
Kanoa Resort	14,035	7,075	50.4%	1,811	2,672	4,403	–	4,403
CP Guam	45,112	10,700	23.7%	2,057	10,700	–	–	–
Sub-total	101,178	29,555		14,933	25,152	4,403	–	4,403
New travel retail boutiques								
New Saipan boutique	1,550	630	40.6%	–	630	–	–	–
New Guam boutique	1,550	1,370	88.4%	320	1,370	–	–	–
Other future boutiques	1,550	–	N/A	–	–	–	–	–
Sub-total	4,650	2,000		320	2,000	–	–	–
IT upgrade								
New reservation system	646	646	100%	39	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%	71	780	560	560	–
Sub-total	2,164	2,000		110	995	1,005	1,005	–
Digital sales and marketing	2,250	2,000	88.9%	159	851	1,149	1,149	–
General working capital	3,945	3,945	N/A	1,710	3,945	–	–	–
Total		39,400^(a)		17,232	32,943	6,457^(a)		

Notes:

- The inconsistency between the sum of the numbers in this table and the total figures is due to rounding.
- 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.
- 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 annual report only.

Report of Directors

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at December 31, 2021, the Company's reserves available for distribution to the Shareholders, calculated in accordance with the Companies Law (Revised), Cap 22 of the Cayman Islands, amounted to US\$90.5 million. Details of movements in the reserves of the Company during the Year are set out in note 32(b) to the consolidated financial statements. Under the Companies Law (Revised), Cap. 22 of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the Shareholders provided that, immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 138 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of movements in investment properties of the Group during the Year are set out in note 15 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 2.22 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Year amounted to approximately US\$3,009,000 (2020: US\$505,000).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on April 9, 2019, pursuant to which the Board may, at its absolute discretion, offer to grant to any Eligible Person (as defined below) an option to subscribe for Shares.

“**Eligible Persons**” include any director or proposed director (including an independent non-executive director) of any member of our Group, any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of our Group (an “**Employee**”), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (an “**Executive**”), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group, a person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of our Group, or an Associate (as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) of any of the foregoing persons.

The purposes of the Share Option Scheme are to motivate Eligible Persons to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Under the Share Option Scheme, an option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised. As of the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 36,000,000, representing approximately 10% of the total issued share capital of the Company as of the date of this annual report. The maximum number of Shares issued and to be issued upon exercise of the options granted to any one Eligible Person (including exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Each grantee shall pay a consideration of HK\$10 upon acceptance of the offer of the option (within 21 days of the offer) and the exercise price of the share options will be determined by the Board and shall be less than the highest of (i) the nominal value of a Share; (ii) the closing price of Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; and (iii) the average of the closing prices of Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the offer date.

The Share Option Scheme will remain in force for ten years from the Listing Date until May 15, 2029, unless otherwise determined in accordance with its terms.

During the Year, no options were granted, exercised or cancelled, or lapsed under the Share Option Scheme and there were no options outstanding as at December 31, 2021.

MANAGEMENT CONTRACTS

The three hotel management agreements made between the Group and the Hotel Manager in respect of CP Guam, CP Saipan and Kanoa Resort respectively dated September 10, 2019, May 1, 2020 and December 29, 2020 remained in effect during the Year. Each of the hotel management agreements are for an initial term of 25 years from its commencement date with two options to renew for an additional 5 years each.

Report of Directors

The hotel management agreements in respect of CP Guam and CP Saipan commenced in October 2019 and August 2020 respectively, and the Hotel Manager has been managing both hotels throughout the Year. As of the date of this report, the hotel management agreement in respect of Kanoa Resort has not commenced pending completion of the relevant renovation and rebranding works to be carried out after the expiration or termination of the emergency contract with the local government authority. When the hotel management agreement in respect of Kanoa Resort commences, the Hotel Manager will be managing three out of four of the Group's hotels and resorts under our Hotels & Resorts Segment. CP Guam and CP Saipan will be respectively rebranded as "Crowne Plaza Resort Guam" and "Crowne Plaza Resort Saipan" with effect from the relevant rebranding date under the hotel management agreements. Kanoa Resort will be rebranded as "voco Resort Saipan" upon commencement of the hotel management agreement. Under the terms of the three hotel management agreements, the Hotel Manager provides hotel management services and manages and operates the three hotels in accordance with the relevant brand standards. The Group retains its rights as hotel owner over certain key managerial, financial and strategic decisions.

None of the Directors has a material interest in the hotel management agreements.

Save as aforesaid, no contracts, other than contracts of service with Directors or persons engaged under the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the Year.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors who held office during the Year and up to the date of this annual report were:

Chairman and Non-Executive Director

Dr. TAN Siu Lin, *SBS*

Executive Directors

Dr. TAN Henry, *BBS, JP*

Mr. CHIU George

Mrs. SU TAN Jennifer Sze Tink

Mr. SCHWEIZER Jeffrey William

Non-Executive Director

Mr. TAN Willie

Independent Non-Executive Directors

Mr. CHAN Leung Choi Albert

Prof. CHAN Pak Woon David

Mr. MA Andrew Chiu Cheung

The Company received written confirmations from the independent non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors as independent.

APPOINTMENTS, RETIREMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Under the articles of association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. In addition, according to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") and the Articles, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

The Articles provide that any Director appointed by the Board, either to fill a causal vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with the Articles, Dr. Tan Siu Lin, Mr. Schweizer Jeffrey William and Prof. Chan Pak Woon David will retire from office at the forthcoming annual general meeting ("**AGM**"). All retiring Directors, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions, Directors' and Shareholders' Interests in Contracts" below, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted as at December 31, 2021 or at any time during the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' Interests in Shares" below, at no time during the Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management are set out in the section headed "Management Executives" on pages 21 to 24 of this annual report.

DIRECTORS' AND MANAGEMENT EMOLUMENTS

Particulars of Directors' emoluments and the five highest paid individuals in the Group are set out in notes 33(a) and 9(a) respectively to the consolidated financial statements. The Board is not aware of any Directors who have waived or agreed to waive any emoluments.

Report of Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at December 31, 2021, 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 Future Ordinance, Cap. 571 of the laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or 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") contained in the Listing Rules were as follows:

Long position in the Shares

Directors	Personal interests (held as beneficial owner)	Shares in the Company		Percentage of interests in the Company ^(a)
		Corporate interests (interests of controlled corporations)	Total interests	
Dr. TAN Siu Lin ^(b)	—	270,000,000	270,000,000	75%
Dr. TAN Henry ^(c)	—	270,000,000	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares issued (i.e. 360,000,000) as at December 31, 2021.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure Holdings Limited ("**THC Leisure**") because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success Limited ("**Supreme Success**"), which is the registered owner of the entire interests in Leap Forward Limited ("**Leap Forward**") 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, and are thus entitled to exercise the voting rights in Leap Forward, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings Corporation ("**Tan Holdings**"), and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.
- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward 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 and are thus entitled to exercise the voting rights in Leap Forward, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at December 31, 2021, the register of substantial Shareholders maintained pursuant to Section 336 of Part XV of the SFO showed that other than the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Shares" above, the following Shareholders had notified the Company of their relevant interests in the issued share capital of the Company.

Long position in the Shares

Name of Shareholder	Capacity/Nature of interests	Number of Shares	Percentage of interests in the Company ^(a)
Dr. TAN Siu Lin ^(b)	Interests in a controlled corporation	270,000,000	75%
Dr. TAN Henry ^(c)	Interests in a controlled corporation	270,000,000	75%
THC Leisure ^(d)	Beneficial interests	270,000,000	75%
Tan Holdings ^(d)	Interests in a controlled corporation	270,000,000	75%
Leap Forward ^(d)	Interests in a controlled corporation	270,000,000	75%
Supreme Success ^(d)	Interests in a controlled corporation	270,000,000	75%

Notes:

- (a) The percentage has been compiled based on the total number of Shares in issue (i.e. 360,000,000) as at December 31, 2021.
- (b) Dr. Tan Siu Lin is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Henry in respect of the affairs of the Group, (ii) he and Dr. Tan Henry together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward 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, and are thus entitled to exercise the voting rights in Leap Forward, (iv) he is the founder of the said discretionary family trust, (v) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (vi) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure is a controlled corporation of Dr. Tan Siu Lin.
- (c) Dr. Tan Henry is deemed to be interested in 270,000,000 Shares under the SFO (representing 75% of the Company's entire issued share capital) held by THC Leisure because (i) he acts in concert with Dr. Tan Siu Lin in respect of the affairs of the Group, (ii) he and Dr. Tan Siu Lin together control the majority of the board of directors of Supreme Success, which is the registered owner of the entire interests in Leap Forward 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 and are thus entitled to exercise the voting rights in Leap Forward, (iv) Leap Forward is the registered owner of a 39% interest in Tan Holdings, and (v) Tan Holdings is the registered owner of the entire interests in THC Leisure. As such, THC Leisure 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.
- (d) THC Leisure directly holds 270,000,000 Shares (representing 75% of the Company's entire issued share capital). THC Leisure is 100% directly owned by Tan Holdings. Leap Forward holds 39% interest in Tan Holdings directly and Supreme Success holds 100% interest in Leap Forward.

Report of Directors

Save as disclosed above, 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.

CONNECTED TRANSACTIONS, DIRECTORS' AND SHAREHOLDERS' INTERESTS IN CONTRACTS

The related party transactions of the Company for the Year are set out in note 30 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

During the Year, the Group entered into a number of transactions which constituted non-exempt continuing connected transactions for the Company and are subject to announcement, annual review and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The following table is a summary of the approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the Year. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Parties	Category	For the Year ended December 31, 2021	
		Aggregate Value US\$'000	Annual Cap US\$'000
Expenses			
QZ Tours	Holiday Package Transactions ^(a)	—	12,498
TakeCare	Medical Insurance ^(b)	548	2,444
Cosmos Saipan, Cosmos Guam and D&Q	Consumer Goods Transactions ^(c)	39	1,090
Beach Road Tourism, L&T Group and Luen Thai International	Leased premises ^(d)	310	1,006
CTSI Group	Freight and Logistics Transactions ^(e)	1,140	1,219
Income			
Strategic Gaming	Leased premises ^(d)	9	300

Notes:

- (a) On April 9, 2019, the Company entered into an agreement with 泉州市世紀旅遊投資有限公司 (“QZ Tours”) for a term commencing from April 9, 2019 to December 31, 2021 pursuant to which QZ Tours agreed to (i) reserve in bulk accommodation in our hotels and resorts, (ii) purchase meal coupons from our on-site restaurants and our self-operated excursion tours, and (iii) procure destination-based, concierge and travel management services from our Destination Services Segment (the “Holiday Package Transactions”). These travel products and services are often bundled by QZ Tours into holiday packages and on-sold to its customers. The Holiday Package Transactions relate to our business operations in Saipan only.

QZ Tours has been providing the Holiday Package Transactions for more than five years before the Company's Listing on the Stock Exchange. The commercial terms we offered to QZ Tours were substantially the same as those we offered to other independent tour operators, with the exceptions that (i) we generally offer a discount to tour operators which place bulk bookings with us and the level of such discount is determined primarily based on the level of bulk bookings placed with us, (ii) only QZ Tours may extend its guest room check-out time until mid-night at a special late night charge, (iii) only QZ Tours had the option to increase its room allocation in the event that it has secured additional charter flights between Saipan and mainland China, (iv) QZ Tours was given a short cancellation or release date, and (v) only QZ Tours had the option to guarantee a room reservation without providing guest names.

Notwithstanding the difference in the terms we offer to QZ Tours and other independent tour operators set out above, the terms and conditions of the Holiday Package Transactions reflect normal commercial terms negotiated on an arm's length basis. Furthermore, the bulk purchase volume of QZ Tours gives us a stable volume from which we optimize our revenue and yield and hedge our risks against the cyclical and seasonal downside of the leisure tourism market in Saipan.

Given the long term and mutually beneficial collaboration with QZ Tours, the Directors (including the independent non-executive Directors) consider that such Holiday Package Transactions and their respective terms and conditions are on normal commercial terms, are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

QZ Tours is owned as to 99% by Mr. ZHOU Xindong (周新東先生), who is a brother-in-law of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). QZ Tours is a majority-controlled corporation of a deemed connected person, and hence a connected person of the Company.

The aforesaid agreement with QZ Tours expired on December 31, 2021 and the Company entered into a new framework agreement (the "**New QZ Framework Agreement**") with QZ Tours on November 10, 2021. Pursuant to the New QZ Framework Agreement, the annual caps for the Holiday Package Transactions as agreed between the Company and QZ Tours for each of the three years ending December 31, 2024 are US\$5,079,000, US\$16,311,000 and US\$17,465,000, respectively.

- (b) On April 9, 2019, the Company entered into an agreement with TakeCare Insurance Company, Inc. ("**TakeCare**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to purchase medical and dental insurance coverage (the "**Medical Insurance**") for our employees. Under the agreement, our employees also have the option to enhance his/her coverage and benefits and/or extend the Medical Insurance to his/her family members by paying additional insurance premium, which would be settled through our Group initially and deducted from their salary (the "**Additional Coverage**").

TakeCare is one of the leading medical and dental insurers in Saipan and Guam with a sizable network of clinics. In our ordinary and usual course of business, we have been purchasing the Medical Insurance and the Additional Coverage from TakeCare for a long time before the Company's Listing on the Stock Exchange. The Directors believe that such transactions are beneficial to the Group and the Shareholder as a whole taking into account the scale and quality of TakeCare's operation in Saipan and Guam as well as the extent of coverage it offers. Besides, the Group is able to leverage on its long-established relationship with TakeCare.

The insurance premium payable by us to TakeCare is determined on a case-by-case basis in arm's length commercial negotiations. The Directors (including the independent non-executive Directors) consider that the terms and conditions under the Medical Insurance and the premium payable reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent insurers.

TakeCare is a 30%-controlled corporation of Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a controlling shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). TakeCare is an associate of a connected person, and hence a connected person of the Company.

The aforesaid agreement with TakeCare expired on December 31, 2021 and the Company entered into a new framework agreement (the "**New TakeCare Framework Agreement**") with TakeCare on November 10, 2021. Pursuant to the New TakeCare Framework Agreement, the annual caps agreed between the Company and TakeCare for each of the three years ending on December 31, 2024 are US\$1,834,000, US\$2,933,000 and US\$3,080,000, respectively.

- (c) On April 9, 2019, the Company entered into an agreement with Cosmos Distributing Co. (Saipan) Ltd. ("**Cosmos Saipan**"), Cosmos Distributing Co., Ltd. ("**Cosmos Guam**") and D&Q Co., Ltd. ("**D&Q**") for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company agreed to procure miscellaneous supplies of consumer goods, such as linens, towels, detergents and food and beverage ingredients, principally for our hotels and resorts operations (the "**Consumer Goods Transactions**"). Cosmos Saipan has ceased to operate since mid-2017 and its wholesale business was transferred to and taken up by D&Q.

Each of Cosmos Guam and D&Q is a consumer goods wholesaler in Guam and Saipan of significant scale. The terms and conditions of the Consumer Goods Transactions are determined on a case-by-case basis based on arm's length commercial negotiations and the amounts payable by us to Cosmos Guam and D&Q under the Consumer Goods Transactions have been more favorable to us compared to our other independent suppliers. The Directors confirm that the terms and conditions under the Consumer Goods Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent consumer goods wholesalers.

Given the scale of the operation and the quality of supplies of Cosmos Guam and D&Q in Guam and Saipan, the Directors further consider that the Consumer Goods Transactions are in the interests of our Group and the Shareholders as a whole.

Each of Cosmos Guam and D&Q is a 30%-controlled corporation of Tan Holdings (a controlling shareholder) and an associate of Mr. Chiu George (an Executive Director). Each of Cosmos Guam and D&Q is an associate of a connected person, and hence a connected person of the Company.

Report of Directors

The aforesaid agreements expired on December 31, 2021 and the Company entered into new framework agreements (the “**New Consumer Goods Framework Agreements**”) with Cosmos Guam and D&Q on November 10, 2021. Pursuant to the New Consumer Goods Framework Agreements, the annual caps agreed between the Company, Cosmos Guam and D&Q for each of the three years ending on December 31, 2024 are US\$1,046,000, US\$1,098,000 and US\$1,153,000, respectively.

- (d) On April 9, 2019, the Company entered into an agreement with Beach Road Tourism Development, Inc. (“**Beach Road Tourism**”), L&T Group of Companies, Ltd. (“**L&T Group**”) and Luen Thai International Development Limited (“**Luen Thai International**”) in relation to the leasing of certain premises as travel retail boutiques, a souvenir and amenities store, a burger joint, a warehousing unit in Saipan, and our corporate headquarters in Hong Kong, for a term commencing from April 9, 2019 to December 31, 2021. The Company, as landlord, has also entered into a concession agreement with Strategic Gaming Solutions, Inc. (“**Strategic Gaming**”), to lease premises within our Kanoa Resort as an amusement and gaming center operated by Strategic Gaming, for a term commencing from April 9, 2019 to December 31, 2021 (the said tenancy agreements and concession agreement together, the “**Connected Tenancy Agreements**”).

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming, has been leasing properties to/from the Group since the Listing. The Directors believe that such lease arrangements are for cost efficiency and for better utilization of the Group’s premises, which are beneficial to the Group and the Shareholders as a whole.

Given the prime location of the premises and the level of rental and other income received or paid by us, the Directors further consider that the leasing arrangements and their respective terms are on normal commercial terms, are fair and reasonable and are in the interests of our Group and the Shareholders as a whole.

Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is a 30%-controlled corporation and an associate of Tan Holdings (a controlling shareholder), Dr. Tan Siu Lin (the Chairman of the Board, a Non-Executive Director and a controlling shareholder) and Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). Each of Beach Road Tourism, L&T Group, Luen Thai International and Strategic Gaming is an associate of a connected person, and hence a connected person of the Company.

- (e) On April 9, 2019, the Company entered into an agreement with CTSI Holdings Limited and its subsidiaries (the “**CTSI Group**”) for a term commencing from April 9, 2019 to December 31, 2021, pursuant to which the Company procures warehousing, international freight forwarding, customs clearance and local courier services for our fixtures, furniture, retail merchandises and miscellaneous supplies and documents (the “**Freight and Logistics Transactions**”).

The CTSI Group is a logistics and freight service provider in Saipan and Guam of significant scale. The terms and conditions of the Freight and Logistics Transactions are determined on a case-by-case basis based on arm’s length commercial negotiations. The Directors believe that the terms and conditions under the Freight and Logistics Transactions reflect normal commercial terms, are fair and reasonable and no less favorable compared to other independent logistics and freight service providers.

Given the scale of the operation and the quality of the freight forwarding services provided by CTSI Group in Saipan and Guam, the Directors further believe that the Freight and Logistics Transactions are in the interests of our Group and the Shareholders as a whole.

Each of CTSI Holdings Limited and its subsidiaries is a 30%-controlled corporation of a connected person of the Group and an associate of Dr. Tan Henry (the Vice Chairman of the Board, an Executive Director, the Chief Executive Officer and a controlling shareholder). Each of CTSI Holdings Limited and its subsidiaries is an associate of a connected person, and hence a connected person of the Company.

The aforesaid agreement with CTSI Group expired on December 31, 2021 and the Company entered into a new framework agreement (the “**New CTSI Framework Agreement**”) with the CTSI Group on November 10, 2021. Pursuant to the New CTSI Framework Agreement, the annual caps agreed between the Company and the CTSI Group for each of the three years ending on December 31, 2024 are US\$1,255,000, US\$970,000 and US\$1,024,000, respectively.

The Company has conducted a review of its continuing connected transactions and confirmed that all such transactions had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Confirmations from the independent non-executive Directors and auditor

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these continuing connected transactions (i) were entered into in the ordinary and usual course of business of the Group; (ii) were either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and (iii) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with "Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed that the above transactions were approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and announcements of the Company. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 38 to 40 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirmed that, save as disclosed above:

- (i) there were no subsisting contracts of significance to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly, at the end of the Year or at any time during the Year; and
- (ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the Year or subsisted at the end of the Year.

PERMITTED INDEMNITY PROVISION

Article 164(1) of the Articles provides that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against actions, costs, charges, losses, damages and expenses as a result of any act or failure to act in the execution of their duty. The Company has also maintained Directors' and officers' liability insurance during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

Report of Directors

PUBLIC FLOAT

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a Director had a material interest, whether directly or indirectly, subsisting at the end of the Year or at any time during the Year which is required to be disclosed.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out in pages 45 to 61 of this annual report.

AUDITOR

The consolidated financial statements for the Year have been audited by Messrs. PricewaterhouseCoopers (“**PwC**”). PwC will retire as the auditor of the Company upon expiration of its current term of office at the conclusion of the forthcoming AGM of the Company to be held on June 2, 2022.

The Board, on the recommendation of the audit committee of the Company (the “**Audit Committee**”), considers that it is appropriate to propose the appointment of Messrs. Ernst & Young (“**EY**”) as the new auditor of the Company in order to streamline the audit process of the Group. EY has well-established local offices in both Saipan and Guam and will be able to enlist their local teams to carry out on-site audit work for the Group’s operating subsidiaries, making the audit process much more streamlined and cost-effective. In view of the aforesaid reasons, the Board has resolved to propose the appointment of EY as the new auditor of the Company after the retirement of PwC, subject to the approval by the shareholders of the Company at the forthcoming AGM.

The Board and the Audit Committee confirmed that there is no disagreement between the Company and PwC, and there are no matters in respect of the retirement of PwC as the auditor of the Company that need to be brought to the attention of the shareholders of the Company.

An ordinary resolution will be proposed at the forthcoming AGM to appoint EY as the new auditor of the Company.

On behalf of the Board

TAN Henry, *BBS, JP*
Vice Chairman of the Board,
Executive Director and Chief Executive Officer

March 29, 2022

Principal Risks and Uncertainties

The Group's business operations and results may be affected by various factors, some of which are external causes, and some are inherent to the business. There are several principal risks and uncertainties which may directly or indirectly affect the Group's business operations, financial conditions and future business prospects. The magnitude of the impact on the Group arising from these risks depends on the severity, duration and locality of the relevant event should it occur. There are also risks that are not significant now but can turn significant, risks that we are not aware of and/or new risks that may emerge in the future. Outlined below are the several principal risks and uncertainties that may affect the Group, but this list is not intended to be exhaustive or comprehensive:

1. Macro-economic and political environment

The Group is one of the leading leisure tourism groups in Saipan and Guam. Our business is particularly sensitive to the general macro-economic and political environment, which could affect levels of discretionary leisure tourism and tourist spending. In particular, the number of tourists traveling and the amount they spend on holidays could decrease if disposable income reduces, sales taxes or value-added taxes increase, unemployment rate increases, transport and fuel costs increase, or the spending habits of tourists change in response to uncertain economic conditions. We closely monitor changes in the macro-economic environment and endeavor to adjust our business plans in a timely manner.

2. Tourist Arrivals

The Group's business depends on the number of tourist arrivals in Saipan and Guam, which is highly reliant on the schedule and price of the flights to and from Saipan and/or Guam. These flights could be regular flights or chartered flights. Suspension or reduction in the frequency of direct flights from a key tourist origin market, such as mainland China, South Korea and/or Japan, could significantly reduce the number of tourist arrivals from these markets. In turn, our results of operations might be adversely affected and the competition in the leisure tourism market in Saipan and Guam might intensify. The Group does not have any contractual relationship with airlines and control over their business decisions on flight operations and pricing. Nevertheless, we actively encourage the airlines to develop new flight routes from our key tourist origin markets with a view to facilitate a general increase in the number of air seats to and from Saipan and/or Guam.

3. Land lease renewal

The Kanoa Resort is operated on land parcels leased from the local government which will expire on June 30, 2024. If we fail to renew the land leases, we will lose a revenue stream and our business prospects, results of operations and financial conditions could decline. The renewal of the public land leases will be subject to the publication of a public notice and a public hearing (where public comments are collected) as well as commercial negotiations on statutorily prescribed terms and conditions, including rental level, new improvements and upgrades and public benefits and contributions (such as local employment, public facilities or infrastructure), all of which are common in the context of public land lease renewals in the CNMI and Guam but are not entirely within our control. We are actively engaged in negotiations with the local government on land lease renewal.

4. Human Resources

The Group's operations in Hotels & Resorts Segment is labor-intensive. Our success depends in large on our ability to attract, retain, train, manage and engage employees. The level of services we provide to our guests depend a significant degree on the quality and skillset of our staff (including our temporary and full-time employees and our casual staff). The failure to attract, retain, train, manage and engage skilled employees could reduce guest satisfaction and thus have a material adverse effect on our business, results of operations and financial conditions. Staffing shortages could also hinder our ability to grow and expand our businesses. A shortage of skilled employees could also require higher wages that would increase our personnel costs and could adversely affect our profits. The Group monitors labor market conditions on a regular basis to ensure our employment terms are both reasonable and competitive while maintaining our high quality of services.

Principal Risks and Uncertainties

5. Legal and Compliance

The Group is committed to complying with all relevant legal, regulatory and contractual requirements, which gives rise to compliance costs.

The Group's Hotels & Resorts Segment has three hotel management agreements with our Hotel Manager, each of which has a term of 25 years from its commencement date with two options to renew for an additional 5 years each. During the term of the hotel management agreements, we are subject to a number of terms and obligations which may restrict our hotels and resorts business operations. Failure to observe the terms of the hotel management agreements may give rise to the Hotel Manager's right to prematurely terminate the hotel management agreements with 30 days' notice.

The Group's Luxury Travel Retail Segment has a number of franchise and distribution agreements with brand owners which typically have a fixed term of 4 to 5 years. During the term of these agreements, we are subject to a number of terms and obligations which may restrict our travel retail business operations, expansion and future prospects. Failure to observe these terms may give rise to the brand owners' rights to prematurely terminate the franchise and distribution agreements with a nil to 60 days' notice.

During the Year, the Group has obtained a bank facility of US\$43.0 million. As of the date of this report, US\$17.0 million of the facility was drawn to finance the renovation and upgrade works currently being carried out to CP Guam and CP Saipan. Pursuant to the terms and conditions of the facility with the bank, the Group is subject to certain undertaking clauses including but not limited to financial covenants and completion of the renovation and upgrade works of CP Guam and CP Saipan at an agreed date. Failure to observe these covenants may allow the bank to request for immediate repayment of all outstanding bank borrowing drawn under the facility.

The Group actively engages external professional advisors to advise on relevant legal, regulatory and contractual requirements to ensure compliance. The Group also actively negotiates with the bank in order to obtain waivers for relevant undertaking clauses which may potentially be breached in order to avoid the bank from requesting for immediate repayment and such that the bank facility will continue to be available to the Group.

6. Disaster Events

The Group's leisure tourism business will be materially and adversely affected by natural disaster events such as super typhoon or flooding. Other disaster events include acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events. Depending on the severity, duration and locality, such events could severely disrupt the Group's business operations and cause damages to our properties. Such events, or a general apprehension of such events, may also significantly and adversely affect travel sentiments and reduce demand for tourism products and services in the affected destination. The Group regularly conducts risk assessment, and has taken out comprehensive insurance covering our properties, business operations and third-party liabilities.

The global outbreak of COVID-19 in 2020 is an example of such disaster events, which has also caused changes in the macro-economic environment, dampening of global travel sentiment, decrease in flight availability and hence tourist arrivals, as well as changes in local laws and regulations (including but not limited to travel bans and mandatory quarantine requirements).

The impact of the COVID-19 outbreak on our Group's business and the measures taken by our Group to manage the same are set out in the section headed "Management Discussion and Analysis" on pages 10 to 20 of this annual report.

As the severity, duration and locality of the COVID-19 outbreak remain uncertain, the extent of its impact on the Group's business operations and financial results remains a principal risk and continues to create uncertainties for our Group's business operations and financial results.

CORPORATE GOVERNANCE PRACTICES

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of Shareholders, taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior, and protecting the long-term sustainability of the Group as a whole.

The Shares of the Company have been listed on the Stock Exchange on the Listing Date. Since the Listing Date, the Company has adopted the principles in the CG Code as set out in Appendix 14 to the Listing Rules as its code of corporate governance.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors. Having made specific enquiries of all directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code throughout the Year.

BOARD OF DIRECTORS

Board responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's values and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The Board acknowledges its responsibility for the management of the Group and to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the Shareholders. The Board is also responsible for convening general meetings, implementing the resolutions passed at the general meetings, determining the business and investment plans of the Group, formulating the annual financial budget and financial statements of the Group, and formulating the proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by the Company's Articles. The Board has established Board Committees (as defined below) and has delegated to these Board Committees various responsibilities as set out in their respective terms of reference. The responsibilities of these Board Committees include monitoring the Group's operational and financial performance, and ensuring that appropriate internal control and risk management systems are in place.

The Board may from time to time delegate certain functions to the management of the Group if and when considered appropriate. The management is mainly responsible for the execution of the business plans, strategies and policies adopted by the Board and assigned to it from time to time.

The Directors have full access to information of the Group and the management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

Composition

The Board currently comprises nine members, consisting of four executive Directors, two non-executive Directors (including the Chairman of the Board) and three independent non-executive Directors, as follows:

Executive Directors

Dr. TAN Henry, *BBS, JP (Vice Chairman and Chief Executive Officer)*
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

The biographical details of the Directors are set out in the section headed “Management Executives” on pages 21 to 24 of this annual report. Save as disclosed in the said section, there is no family, financial or business relationship among the Directors.

Throughout the Year, independent non-executive Directors constitute one-third of the Board, which is in compliance with the requirement under Rule 3.10(A) of the Listing Rules. Hence, there is a strong independence element in the composition of the Board. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group, and at least one of the independent non-executive Directors has appropriate professional qualifications of accounting or related financial management expertise.

The list of Directors has been published on the website of the Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

During the Year and up to the date of this annual report, an appropriate and adequate directors’ and officers’ liability insurance is in place to protect all the Directors from legal action arising from the performance of their duties as a Director. Such insurance coverage will be reviewed and renewed on an annual basis. As of the date of this annual report, no claims under the insurance policy has been made.

Independent non-executive Directors

The roles of the independent non-executive Directors include the following:

- (i) provision of independent judgement at Board meetings;
- (ii) take the lead where potential conflicts of interest arise;
- (iii) serve on committees if invited; and
- (iv) scrutinize the performance of the Group as necessary.

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board Committees, all independent non-executive Directors will continue to make various contributions to the Company.

The independent non-executive Directors and their immediate family receive no payment from the Company or its subsidiaries (except the director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the AGM of the Company in accordance with the provisions of the Articles. Each independent non-executive Director has provided a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Provision A.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the other Directors. During the Year and up to the date of this annual report, the Chairman held two meetings with the independent non-executive Directors on March 22, 2021 and March 21, 2022, respectively without the presence of any other Directors. Going forward, the Chairman will continue to ensure compliance with this code provision.

Directors' induction and continuing professional development

During the Year, each Director has received training on the general, statutory and regulatory obligations of being a director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant legal and regulatory requirements.

Directors are committed to comply with the continuous professional development requirement under provision A.6.5 of the CG Code so as to develop and refresh their knowledge and skills and ensure that their contribution to the Board will be informed and relevant.

The Directors, on an ongoing basis, will receive updates on the relevant laws, rules and regulations. During the Year, the Company shared with the Directors certain continuous professional development courses relating to their duties as directors of a listed corporation, the Listing Rules, corporate governance practices and other relevant legal and regulatory requirements so that they can continuously acquire relevant knowledge and skills.

Corporate Governance Report

A summary of training received by each Director during the Year is set out below:

Board Members	Type of training
Executive Directors	
Dr. TAN Henry, <i>BBS, JP (Vice Chairman and Chief Executive Officer)</i>	A, B
Mr. CHIU George	A, B
Mrs. SU TAN Jennifer Sze Tink	A, B
Mr. SCHWEIZER Jeffrey William	A, B
Non-Executive Directors	
Dr. TAN Siu Lin, <i>SBS (Chairman)</i>	A, B
Mr. TAN Willie	A, B
Independent Non-Executive Directors	
Mr. CHAN Leung Choi Albert	A, B
Prof. CHAN Pak Woon David	A, B
Mr. MA Andrew Chiu Cheung	A, B

A: attending external seminars/conferences/workshops/forums/webinars

B: reading newspapers/journals and updates relevant to their profession, business, corporate governance and director's duties and responsibilities

Meeting of the Board and the Directors' attendance record

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. During the Year, four Board meetings were held with full attendance, details of which are presented below:

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		
Dr. TAN Henry, <i>BBS, JP (Vice Chairman and Chief Executive Officer)</i>	4/4	100%
Mr. CHIU George	4/4	100%
Mrs. SU TAN Jennifer Sze Tink	4/4	100%
Mr. SCHWEIZER Jeffrey William	4/4	100%
Non-Executive Directors		
Dr. TAN Siu Lin, <i>SBS (Chairman)</i>	4/4	100%
Mr. TAN Willie	4/4	100%
Independent Non-Executive Directors		
Mr. CHAN Leung Choi Albert	4/4	100%
Prof. CHAN Pak Woon David	4/4	100%
Mr. MA Andrew Chiu Cheung	4/4	100%

Corporate Governance Report

Apart from Board meetings, consent/approval from the Board had also been obtained by written resolutions on a number of matters.

During the Year, an AGM of the Company was held on June 2, 2021 for the year ended December 31, 2020 and an extraordinary general meeting ("EGM") of the Company was held on December 23, 2021 for the approval of the continuing connected transactions of the Company.

Board Members	AGM		EGM	
	Attended/ Held	Attendance Rate	Attended/ Held	Attendance Rate
Executive Directors				
Dr. TAN Henry, <i>BBS, JP (Vice Chairman and Chief Executive Officer)</i>	1/1	100%	1/1	100%
Mr. CHIU George	1/1	100%	1/1	100%
Mrs. SU TAN Jennifer Sze Tink	1/1	100%	1/1	100%
Mr. SCHWEIZER Jeffrey William	1/1	100%	1/1	100%
Non-Executive Directors				
Dr. TAN Siu Lin, <i>SBS (Chairman)</i>	1/1	100%	1/1	100%
Mr. TAN Willie	1/1	100%	1/1	100%
Independent Non-Executive Directors				
Mr. CHAN Leung Choi Albert	1/1	100%	1/1	100%
Prof. CHAN Pak Woon David	1/1	100%	1/1	100%
Mr. MA Andrew Chiu Cheung	1/1	100%	1/1	100%

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The management has the obligation to supply the Board and the Board Committees with adequate information in a timely manner to enable the members to make informed decisions. The notice of a Board meeting is generally released at least 14 days in advance, while the finalized agenda and relevant materials are released no less than 3 days in advance.

The Company Secretary is responsible for taking minutes of the Board meetings. Draft and final minutes are sent to all Directors for comments within a reasonable time. All board papers and minutes are also made available for inspection by the Board and the Board Committees. A final draft of each minutes of meetings is made available for inspection by Directors.

The Company's Articles provide that a Board meeting shall be held (instead of passing a resolution in writing) in cases where a substantial shareholder or Director has a material conflict of interest in a matter. In the relevant Board meeting, the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the requirement of the CG Code.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year and as of the date of this annual report, Dr. Tan Siu Lin is the Chairman of the Board and his son Dr. Tan Henry is the Chief Executive Officer (the “**CEO**”) of the company. The Chairman’s role is to provide leadership to and oversee the functioning of the Board to ensure that the Board acts in the best interests of the Group. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters raised by other Directors for inclusion in the agenda. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive reliable, adequate and complete information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board’s affairs and make contribution to the Board’s functions.

The CEO is in charge of the Company’s operations and day-to-day management. The CEO is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board’s approval.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring that reliable and relevant flow of information is maintained amongst members of the Board and that all procedures have been adhered to in accordance with applicable laws, rules and regulations. All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

Ms. Cheung Pik Shan Bonnie was appointed as the Company Secretary of the Company on April 9, 2019. The Company Secretary’s biography is set out in the section headed “Management Executives” on pages 21 to 24 of this annual report. During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (collectively, “**Board Committees**”) in accordance with the CG Code and these Board Committees are mainly composed of independent non-executive Directors. Each of these Board Committees has specific written terms of reference which are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties, including access to the management and/or independent professional advice if considered necessary.

AUDIT COMMITTEE

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

The Audit Committee comprises three independent non-executive Directors, namely Mr. Ma Andrew Chiu Cheung, Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David. The Audit Committee is chaired by Mr. Ma Andrew Chiu Cheung. None of the members of the Audit Committee is a former partner of the external auditor. The Audit Committee must meet not less than two times a year with the Company's external auditor and meetings shall be held at such other times on an ad hoc/as-needed basis. It meets with the external auditor and the management of the Group to ensure that the audit findings are addressed properly. The Audit Committee has access to independent professional advice at the Company's expense if considered necessary. During the Year, we have engaged BDO Financial Service Limited ("**BDO**") to provide internal auditing service and Lego Corporate Finance Limited to provide independent financial advice in relation to the renewal of continuing connected transactions of the Company.

The principal responsibilities of the Audit Committee include the following:

- (i) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, to monitor the external auditor's independence and objectivity, and to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor;
- (ii) to review and monitor the integrity of the Company's financial statements and reports and consider any significant or unusual items raised by the external auditor or qualified accountant before submission to the Board;
- (iii) to review the effectiveness and adequacy of the Company's financial reporting system, internal control systems and associated procedures, risk management and corporate governance matters; and
- (iv) to review the adequacy of resources, qualifications, experience, training programs and budget of the staff of the Group's financial reporting and accounting and internal audit functions.

The Audit Committee held four meetings during the Year to review and adopt the internal audit plan proposed by BDO, to review the Group's financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, other corporate governance matters and the appointment of the external auditor. The Audit Committee recommended to the Board that, subject to the Shareholders' approval at the forthcoming AGM of the Company, Messrs. Ernst & Young ("**EY**") be appointed as the new external auditor of the Group for the financial year ending December 31, 2022, after the retirement of Messrs. PricewaterhouseCoopers ("**Auditor**").

The attendance record of the four Audit Committee meetings during the Year is presented below:

Audit Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Mr. MA Andrew Chiu Cheung (<i>Chairman</i>)	4/4
Mr. CHAN Leung Choi Albert	4/4
Prof. CHAN Pak Woon David	4/4

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was established on the Listing Date with terms of reference in compliance with the CG Code. The primary duties of the Remuneration Committee include recommending to the Board the remuneration policy and structure of all the Directors and the senior management and evaluating their performance in order to make recommendations on the individual remuneration package of each of the Directors and senior management. In addition, the Remuneration Committee provides effective supervision and administration of the Company's share option scheme.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Chan Leung Choi Albert and Prof. Chan Pak Woon David, and an executive Director, Dr. Tan Henry. The Remuneration Committee is chaired by Mr. Chan Leung Choi Albert.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle. The chairman of the Remuneration Committee is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Remuneration Committee held one meeting during the Year to review and recommend to the Board the remuneration policy and structure of all Directors and the senior management.

The attendance record of the one Remuneration Committee meeting during the Year is presented below:

Remuneration Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Mr. CHAN Leung Choi Albert (<i>Chairman</i>)	1/1
Prof. CHAN Pak Woon David	1/1
Executive Director	
Dr. TAN Henry	1/1

The Remuneration Committee is authorized to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain legal or other independent professional advice at the cost of the Company if it considered necessary.

Pursuant to code provision B.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of Directors and five highest paid individuals disclosed in notes 33(a) and 9(a) to the consolidated financial statements pursuant to Appendix 16 to the Listing Rules) paid by the Group by band for the Year is set out below:

Emolument band	Number of Individuals
US\$192,308 to US\$256,410 (equivalent to HK\$1,500,001 to HK\$2,000,000)	1
US\$64,103 to US\$128,205 (equivalent to HK\$500,001 to HK\$1,000,000)	1

During the Year, total Directors' remuneration amounted to approximately US\$894,000 (2020: US\$793,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 33(a) to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on the Listing Date with written terms of reference in compliance with the requirements of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, identify suitably qualified candidates to become members of the Board, develop the Board Diversity Policy (as defined below), assess the independence of independent non-executive Directors, and make recommendations to the Board on the appointment or re-appointment of Directors.

The Nomination Committee comprises two independent non-executive Directors, namely Prof. Chan Pak Woon David and Mr. Chan Leung Choi Albert, and an executive Director, Dr. Tan Henry. The Nomination Committee is chaired by Prof. Chan Pak Woon David.

A meeting of the Nomination Committee is required to be held at least once a year. The Nomination Committee held one meeting during the Year to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and consider each retiring Director.

The attendance record of the one Nomination Committee meeting during the Year is presented below:

Nomination Committee Members	Meeting Attended/Held
Independent Non-Executive Directors	
Prof. CHAN Pak Woon David (<i>Chairman</i>)	1/1
Mr. CHAN Leung Choi Albert	1/1
Executive Director	
Dr. TAN Henry	1/1

Board Diversity Policy

The Board has adopted a policy on board diversity ("**Board Diversity Policy**") with effect from the Listing Date which sets out the Company's approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board as it promotes board effectiveness and enables better decisions to be made. A truly diverse Board will include and make good use of differences in the qualifications, skills, experience, gender, age, cultural and education background and other qualities of the Directors.

Under the Board Diversity Policy, diversity will be considered from all relevant aspects when determining the optimum structure, size and composition of the Board. The Board may consider other factors as appropriate from time to time, taking into account the Company's business model and specific needs. All Board appointments are ultimately made on merit and contribution that the potential candidates will bring to the Board, having due regard for the benefits of diversity and the specific needs of the Company, without focusing on a single diversity aspect.

Corporate Governance Report

Nomination Policy

Under the director nomination policy ("**Nomination Policy**") adopted by the Board with effect from the Listing Date, when assessing and selecting candidates for directorships, the Nomination Committee will consider the following factors:

- (i) whether the individual's educational background and qualification, skills and experience are relevant to the Company's business model and specific needs;
- (ii) the individual's character and reputation for integrity;
- (iii) whether the individual would be able to devote sufficient time to the Board;
- (iv) (in respect of appointment and reappointment of independent non-executive Directors) independence of the individual with reference to the independence criteria set out in Rule 3.13 of the Listing Rules;
- (v) how the individual would be able to contribute to the diversity of the Board with reference to the factors set out in the Board Diversity Policy; and
- (vi) Board succession planning considerations.

Nevertheless, the ultimate responsibility for the selection and appointment of Directors rests with the entire Board.

Nomination Procedures

On March 23, 2020, the Nomination Committee adopted the following nomination procedures for the appointment and reappointment of Directors.

Appointment of Directors

- (i) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate;
- (ii) The Nomination Committee may use any process it deems appropriate to evaluate the candidate(s), which may include personal interviews, background checks, presentations or written submissions by the candidate(s) and third party references;
- (iii) The Nomination Committee makes recommendation(s) to the Board;
- (iv) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;
- (v) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by Shareholders at the next AGM after initial appointment in accordance with the Company's Articles; and
- (vi) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Re-appointment of Directors

- (i) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines, and assesses the independence of each retiring independent non-executive Director;
- (ii) The Nomination Committee makes recommendation(s) to the Board;
- (iii) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the corporate governance guidelines;
- (iv) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's Articles; and
- (v) The Shareholders approve the re-election of Directors at the annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions including:

- (i) to develop and review the Company's policies, procedures and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review the effectiveness of the risk management and internal control system on an ongoing basis and to remedy material internal control weaknesses;
- (iv) to review and monitor the Company's policies, procedures and practices on compliance with legal and regulatory requirements;
- (v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (vi) to review the adequacy of resources, staff competency, training programs and budget of the Company's accounting, internal audit and financial reporting functions; and
- (vii) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the annual report of the Company.

The Board's annual review of the Company's corporate governance practices for the Year has covered the aforesaid matters. This corporate governance report has been reviewed by the Board in fulfillment of its corporate governance responsibilities.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors acknowledge their responsibility in publishing financial statements for each financial period which give a true and fair view of the state of affairs of the Group and a clear and accurate assessment of the results and cash flows for that period. The Auditor's statement regarding its reporting responsibilities in respect of the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 62 to 67 of this annual report.

In preparing financial statements for the year ended December 31, 2021, the Directors have (i) selected suitable accounting policies and applied them consistently; (ii) made judgements and estimates that are prudent and reasonable; and (iii) prepared financial statements on a going concern basis. The Directors noted that the Auditor has indicated some material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. During the Year, the Group incurred a net loss of approximately US\$6.1 million. As at December 31, 2021, the Group's current liabilities exceeded its current assets by approximately US\$5.3 million. Included in the Group's current liabilities was an interest-bearing bank borrowing of US\$17.0 million drawn from a banking facility of US\$43.0 million with scheduled repayments from September 2023 but are repayable on demand. On the other hand, the Group had capital commitments of approximately US\$13.2 million as at December 31, 2021 in relation to the ongoing renovation and upgrade works of CP Guam and CP Saipan, which is expected to be financed by further drawing down the unutilized portion of the Group's banking facility of US\$26.0 million in the coming twelve months from December 31, 2021. The Auditor is of the view that these conditions, along with other matters as set out in Note 2.1.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Auditor's opinion is not modified in respect of this matter.

Save as aforesaid and as disclosed under the section headed "Going concern" in Note 2.1.1 to the consolidated financial statements, the Board, having made all reasonable enquiries, is not aware of any material uncertainties relating to any events or conditions that may cause significant doubt upon the Company's ability to continue as a going concern.

The Board, taking into account (i) the banking facility of US\$43.0 million is currently fully secured by the Group's hotel assets with ample security coverage ; and (ii) the anticipated cash flows to be generated from the Group's operations and certain plans and measures, consider that (i) it is highly unlikely that the bank will withdraw its banking facility or demand immediate repayment in full amount of the outstanding banking facility; and (ii) the Group will have sufficient working capital to meet its financial obligations and capital commitments as and when they fall due for the foreseeable future and hence decided that it is appropriate to prepare the consolidated financial statements on a going concern basis. For details of the plans and measures taken by the Directors, please refer to Note 2.1.1 to the consolidated financial statements.

In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the "Chairman's Statement" and the "Management Discussion and Analysis" sections on pages 6 to 9 and pages 10 to 20 respectively.

Risk Management and Internal Control

The Board acknowledges its overall responsibility for the systems of risk management and internal controls of the Company and for reviewing their effectiveness through the Audit Committee at least annually. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented effective and adequate risk management and internal controls systems to safeguard the interests of the Shareholders and the Group's assets.

The internal control procedures of the Group feature a comprehensive budgeting and financial/management reporting system to facilitate the management's ongoing review and oversight. Business strategic plans and budgets are prepared on an annual basis by the management of individual business and subject to review and approval by the Board. During the budget setting process, the likelihood and potential financial impact of fundamental business risks have been identified, evaluated and reported by the management. Specific procedures and guidelines have been established for management approval and control of capital expenditures, mergers and acquisitions, unbudgeted items, operating expenses and other matters.

The executive Directors review the monthly management reports of major business units and the financial results and hold periodic meetings with senior finance and operational management teams to review and discuss the business performance against budget, market outlooks and to address deficiencies of any key issues on a timely basis.

The Group has adopted a principle of minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk are set out in note 3 to the consolidated financial statements on pages 91 to 97 of this annual report.

All major operations are governed by its standard operating procedures with authorization matrix and supplemented by written policies and procedures tailored to the respective business units and support functions. These policies and procedures are aimed to provide guidelines on key risk management and control standards for our global operations and are updated on a regular and timely basis.

The Group has engaged BDO to provide internal auditing service (the “**Internal Audit**”) for the Year. BDO is an independent internal audit services provider approved and adopted by the Audit Committee. BDO acts as a significant independent resource in assisting the Audit Committee in achieving good corporate governance and exercising its oversight responsibility to ensure the effectiveness of the Group's internal control system and performing evaluation of the adequacy of the controls established to safeguard Shareholders' investment and the Group's assets on an ongoing basis. BDO has a direct reporting line to the Audit Committee.

BDO independently reviews compliance with the Group's policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness.

The Internal Audit plan is risk-based and covers the Group's significant operations over a cycle and recurring basis. The Internal Audit plan is reviewed and endorsed by the Audit Committee. Representatives from BDO attend meetings of the Audit Committee held during the Year to report its progress in achieving the Internal Audit plan. The scope of the Internal Audit covers significant controls including financial, operational and compliance controls and risk management policies and procedures. Major findings and recommendations including the implementation status of agreed recommendations are reported at the Audit Committee meetings. In respect of the Year, no major issues but areas of improvement have been identified. The Directors and the Audit Committee considered that the major areas of the internal control systems of the Group are reasonably effective and adequately implemented.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for the Year, management teams of business units also conducted an internal control self-assessment of business operations and relevant accounting functions and considered that sound risk management and internal control practices were in place for the Year.

The Auditor performed independent statutory audits of the Group's consolidated financial statements. The Auditor also reported to the Audit Committee that there is no significant weaknesses in our internal control which come to notice during the course of the audit.

Corporate Governance Report

The Group has adopted a code of business ethics which requires all Directors and employees to comply with a set of high ethical standards in conducting the business. The Company has also adopted the inside information policy setting out the guidelines for handling and dissemination of inside information to the Directors and employees of the Group in accordance with the applicable laws and regulations.

Up to the date of approval of this annual report, based on the respective assessments made by management and BDO, and also taking into account the results of the audit conducted by the Auditor, the Audit Committee and the Directors considered that:

- (i) The risk management, internal control and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;
- (ii) The risk management and internal controls systems of the Group have been implemented with room for improvement and BDO has actively conducted follow-up audit for any improvements which were identified; and
- (iii) There is a reasonably effective and adequate on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

External Auditor

The Auditor has been appointed as the external auditor of the Company for the Year. The consolidated financial statements for the Year have been audited by the Auditor. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by the Auditor and considered that such services have no adverse effect on the independence of the Auditor.

In the preceding three financial years, there has not been any change of Auditor of the Company. The Auditor will retire as the external auditor of the Company upon expiration of its current term of office at the conclusion of the forthcoming AGM to be held on June 2, 2022 and, subject to approval by the Shareholders of the Company at the forthcoming AGM, EY will be appointed as the new external auditor of the Company for the financial year ending December 31, 2022.

During the Year, remuneration of approximately US\$169,000 was paid/payable to the Auditor for the provision of audit services. In addition, approximately US\$64,000 was paid/payable to the Auditor for other non-audit services.

SHAREHOLDERS' RIGHTS

A summary of certain rights of the Shareholders is set out below:

Procedures for putting forward proposals at Shareholders' meetings

There is no provision allowing Shareholders to make proposals or move resolutions at the AGM under the Articles or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to convene an Extraordinary General Meeting" set out below.

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any one or more Shareholders holding (at the date of deposit of the requisition) not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Any written requisition to convene an EGM must state the objects of the EGM and must be signed by the requisitionist(s) concerned and deposited at the registered office of the Company (presently at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong) marked for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionist(s) concerned.

The EGM convened by the requisitionist(s) shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to the Directors or management of the Company in writing through the Company Secretary of the Company whose contact details are as follow:

S.A.I. Leisure Group Company Limited
5th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Email: ir@saileisuregroup.com

The Company Secretary will forward the Shareholders' enquiries, comments and suggestions to the Board and/or the relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Shareholders should direct their questions about their shareholdings by mail to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, who has been appointed by the Company to deal with Shareholders for share registration and related matters.

Procedures for Shareholders to propose a person for election as a Director

With effect from the Listing Date, the Company adopted a formal, considered and transparent procedure for Shareholders to propose a person for election as a Director. The following procedures are subject to the Company's Articles, the Companies Law of the Cayman Islands and applicable legislation and regulation:

- (i) If a Shareholder, who is entitled to attend and vote at the general meeting convened to deal with the appointment or election of Director(s), wishes to propose a person (other than himself/herself) for election as a Director at that meeting, he/she may lodge a written notice with the Company Secretary of the Company at 5/F, Nanyang Plaza, 57 Hung To Road, Kowloon, Hong Kong.

Corporate Governance Report

- (ii) In order for the Company to inform all Shareholders of that proposal, the written notice must state (i) his/her intention to propose such person for election as a Director, and (ii) the biographical details of such nominated candidate as required under Rule 13.51(2) of the Listing Rules for publication by the Company and be signed by the Shareholder concerned and the person who has been proposed indicating his/her willingness to be elected.
- (iii) The period for lodgement of the above notice shall be a seven-day period commencing on a day after the despatch of the notice of the general meeting appointed for such election of Director(s). If the Directors should determine and notify the Shareholders of a different period for lodgement of the above notice, such period shall in any event be a period of not less than seven days, commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting.
- (iv) Upon receipt of the above notice from a Shareholder which is received after publication of the notice of general meeting, the Company shall, prior to the general meeting, publish an announcement or issue a supplementary circular disclosing the particulars of the proposed Director pursuant to Rule 13.51(2) of the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director at the forthcoming AGM, please refer to the notice of the AGM to be published for further information on the relevant nomination period.

DIVIDEND POLICY

The Company intends to maintain a balance between rewarding the Shareholders and retaining adequate capital for development and operation of the Company's business. The Company has adopted a dividend policy ("**Dividend Policy**"), pursuant to which the Company may declare and distribute dividends to the Shareholders. The recommendation of the payment of any dividend is subject to the discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

According to the Dividend Policy, in deciding whether to declare or recommend a dividend, the Board shall consider the following factors:

- (i) the general financial condition of the Group;
- (ii) the actual and future operations and liquidity positions of the Group;
- (iii) the future cash requirements and availability;
- (iv) any restrictions on payment of dividends that may be imposed by the Group's lenders;
- (v) the general market conditions;
- (vi) the future development of the Group; and
- (vii) any other factor that the Board deems appropriate.

The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific period.

COMMUNICATION WITH SHAREHOLDERS

The Board believes the importance of maintaining transparent, timely and effective communication with the Shareholders and investors of the Company. Effective communication with Shareholders enables Shareholders to have a clear assessment of the Group's performance and establishes investor confidence and enables them to engage actively with the Company and exercise their rights as shareholders in an informed manner. Major means of communication with the Shareholders adopted by the Company are as follows:

Financial and other reporting

The Company reports operating results on a half-yearly basis and produces interim and annual reports in accordance with the Listing Rules and other applicable laws and regulations. From time to time, the Company communicates other information to Shareholders by way of Company's announcement and/or circular, in compliance with the relevant regulatory requirements or otherwise.

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.saileisuregroup.com). In addition to a dedicated "Investor Relations" section in which the annual reports, interim reports, announcements and circulars of the Company are posted as soon as practicable following their release to the Stock Exchange on the website of HKEX, relevant press releases and speeches are also made available on the Company's website to facilitate communication between the Company, Shareholders and the investment community.

General meetings with Shareholders

The annual general meetings and other general meetings of the Company are the primary forum for communication with Shareholders and for Shareholders' participation. Voting at general meetings is conducted by way of poll in accordance with the Listing Rules. The poll results will be published on the respective websites of the Stock Exchange and the Company after the conclusion of the general meetings. The Company encourages Shareholders to participate in shareholders' meetings physically or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend.

The 2022 AGM of the Company is expected to be held on June 2, 2022. The notice of the AGM will be sent to the Shareholders at least 20 clear business days before the AGM. The Chairman and members of the Board and chairmen of the various Board committees or their duly appointed delegates will attend the forthcoming AGM to answer questions raised by the Shareholders.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the then Shareholders passed on April 9, 2019, the amended and restated Memorandum of Association (the "**Memorandum**") and the amended and restated Articles of the Company were adopted with effect from the Listing Date. Save as disclosed above, there was no change in the constitutional documents of the Company during the Year. The Memorandum and Articles are available on the respective websites of the Stock Exchange and the Company.

Independent Auditor's Report

To the Shareholders of S.A.I. Leisure Group Company Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of S.A.I. Leisure Group Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 68 to 137, comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (“**the Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1.1 to the consolidated financial statements, which states that the Group reported a net loss of approximately US\$6,140,000 during the year ended December 31, 2021. As at the same date, the Group's current liabilities exceeded its current assets by US\$5,290,000. Included in its current liabilities was an interest-bearing bank borrowing of US\$17,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but are repayable on demand, and its cash and cash equivalents amounted to approximately US\$8,077,000. Moreover, the Group had capital commitment of US\$13,150,000 as at December 31, 2021 in relation to the ongoing renovation and upgrade works of hotels in Guam and Saipan, settlement of which are expected to be made in the coming twelve months from December 31, 2021. These conditions, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Impairment loss on property, plant and equipment of hotels and retail store assets
- Provision for inventories

Key Audit Matters

Impairment loss on property, plant and equipment of hotels and retail store assets

Refer to Note 2.10, 4(iv) and 14 to the consolidated financial statements.

The Group had US\$102,300,000 of property, plant and equipment (including right-of-use assets) as at December 31, 2021, of which approximately US\$99,044,000 and US\$2,981,000 were attributable to its hotels and retail stores, respectively. The carrying amounts of the hotels and retail stores assets are written down to their recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amount.

Management regards each hotel and individual retail store as a separately identifiable cash-generating unit and monitors their financial performance for the existence of impairment indicators, such as trading performance is below expectation, store is loss making or existence of other observable indications of declined in value of the property, plant and equipment. In particular, management assessed the two hotels under renovation and upgrade works in Guam and Saipan amid the development of COVID-19 pandemic might continue to impact the timing of resumption and resulting performance of the hotels.

How our audit addressed the Key Audit Matters

We performed the following procedures to evaluate management's impairment assessment process for hotels and retail store assets:

- a. Understanding management's internal control and assessment process in identifying the indicators of potential impairment and estimating the recoverable amounts of hotels and retail stores, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- b. Challenging the judgments made in the identification of impairment indicators; and
- c. Comparing current year's performance of hotels and retail stores to the prior year's performance.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matters

Impairment loss on property, plant and equipment of hotels and retail store assets *(Continued)*

Management carried out an impairment assessment for the hotels and retail store assets which has an impairment indicator and as a result an impairment loss of US\$68,000 has been recognized in the consolidated statement of comprehensive income for the year. The recoverable amounts of the assets are determined by using discounted cash flow projections prepared by management covering the remaining useful lives or tenure of the leases.

We focused on this area because significant estimation and judgment were involved in deciding whether a hotel or retail store has an impairment indicator and in determining the recoverable amounts of the relevant hotels and retail store assets.

How our audit addressed the Key Audit Matters

We tested the impairment calculation by performing the following procedures:

- a. Comparing the forecasted sales performance to the approved business plan, and compared estimated running costs to the historical records;
- b. Challenging management in relation to key assumptions (such as revenue growth rate, gross profit margin and operating costs) applied by comparing them to historical information and our understanding of latest market information and conditions;
- c. Involving our internal valuation experts to understand and evaluate the valuation methodology adopted by management and assessing the reasonableness of the key assumptions for the two hotels under renovation and upgrade works in Guam and Saipan;
- d. Testing the discount rates with reference to our understanding of the business including the future business plans of the hotels and retail stores and comparisons to other similar companies; and
- e. Recomputing the impairment loss calculation.

Based on our work performed, we found the impairment assessment of hotels and retail store assets made by the management to be supported by available evidence.

KEY AUDIT MATTERS *(Continued)*

Key Audit Matters

Provision for inventories

Refer to Note 2.14, 4(iii) and 18 to the consolidated financial statements.

As at December 31, 2021, the Group held inventories of US\$2,562,000. A net provision for inventories of US\$344,000 was charged to the consolidated statement of comprehensive income for the year ended December 31, 2021. As described in the accounting policy in Note 2.14 to the consolidated financial statements, inventories are carried at the lower of cost and net realizable value.

The Group's inventories are subject to changing consumer demands and market trends, increasing the level of judgment involved in estimating provision for inventories.

We focused on this area because of magnitude of the inventories and judgment is required to assess the appropriate level of provisioning for items which may be ultimately written off or sold below cost as a result of a reduction in consumer demand particularly in light of the current volatile retail market situation.

How our audit addressed the Key Audit Matters

We performed the following procedures to evaluate the provision for inventories:

- a. Understanding management's internal control and assessment process of provision for inventories and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- b. Assessing the appropriateness of the Group's inventory provisioning policy with respect to the inventories by category based on aging together with the historical sales records which reflected the expected life cycle of similar products;
- c. Comparing the net realizable value of the inventories held at year end, on a sample basis, to latest selling prices by examining the sales invoices; where there are no subsequent sales of the respective inventories after the date of consolidated statement of financial position, we challenged management as to the realizable value of the inventories, corroborating explanations with the aging and marketability of the respective inventories as appropriate; and
- d. Testing the accuracy of aging profile of inventories used in the inventory provision and recalculated the inventory provision as at year end based on the Group's provisioning policy.

Based on the above procedures performed, we consider management's judgment and estimates in the assessment of provision for inventories, supported by the available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 29, 2022

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	2021 US\$'000	2020 US\$'000
Revenue	6	19,801	40,784
Cost of inventories sold	8	(3,301)	(7,933)
Food and beverage costs	8	(617)	(1,237)
Employee benefit expenses	8	(6,083)	(13,571)
Utilities, repairs and maintenance	8	(2,104)	(3,697)
Other gains, net	7	55	70
Operating and other expenses	8	(13,998)	(26,610)
Operating loss		(6,247)	(12,194)
Finance income	10	33	298
Finance costs	10	(977)	(883)
Finance costs, net	10	(944)	(585)
Loss before income tax		(7,191)	(12,779)
Income tax credit	11	1,051	2,017
Loss for the year		(6,140)	(10,762)
Other comprehensive (loss)/income			
Item that may be reclassified to profit or loss			
Change in value of debt investment at fair value through other comprehensive income		(29)	1
Total comprehensive loss for the year		(6,169)	(10,761)
Loss attributable to:			
Owners of the Company		(5,952)	(9,320)
Non-controlling interests		(188)	(1,442)
		(6,140)	(10,762)
Total comprehensive loss attributable to:			
Owners of the Company		(5,981)	(9,319)
Non-controlling interests		(188)	(1,442)
		(6,169)	(10,761)
Loss per share attributable to owners of the Company			
— Basic and diluted (US cents)	12	(1.7)	(2.6)

The notes on page 73 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021 US\$'000	2020 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	102,300	54,719
Investment properties	15	2,133	2,228
Intangible assets	16	108	229
Deferred income tax assets	27	4,341	3,290
Deposits	20	839	934
Financial asset at fair value through other comprehensive income	17	—	508
		109,721	61,908
Current assets			
Inventories	18	2,562	4,657
Trade receivables	19	12,951	15,251
Deposits, prepayments and other receivables	20	955	1,106
Amounts due from related parties	30(d)	1	4
Income tax recoverable		2,561	2,561
Cash and cash equivalents	21	8,077	38,164
		27,107	61,743
Total assets		136,828	123,651
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	461	461
Share premium	22	38,122	38,122
Capital reserve	23	27,006	27,006
Other reserve	23	4,836	4,840
Retained earnings		15,519	21,471
		85,944	91,900
Non-controlling interests	24	(273)	(85)
Total equity		85,671	91,815

Consolidated Statement of Financial Position

As at December 31, 2021

	Note	2021 US\$'000	2020 US\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	14	18,760	17,585
Current liabilities			
Trade and other payables	25	13,705	12,006
Bank borrowing	26	17,000	—
Lease liabilities	14	1,539	2,003
Amounts due to related parties	30(d)	116	213
Income tax payable		37	29
		32,397	14,251
Total liabilities		51,157	31,836
Total equity and liabilities		136,828	123,651

The consolidated financial statements on pages 68 to 137 were approved by the Board of Directors on March 29, 2022 and were signed on its behalf.

.....
Dr. Tan Siu Lin
Director

.....
Dr. Tan Henry
Director

The notes on page 73 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to owners of the Company					Non-controlling interests		Total US\$'000
	Share capital	Share premium	Capital reserve	Other reserve	Retained earnings	Subtotal		
	US\$'000 (Note 22)	US\$'000 (Note 22)	US\$'000 (Note 23)	US\$'000 (Note 23)	US\$'000	US\$'000	US\$'000	
Balance at January 1, 2020	461	38,122	27,006	4,839	31,801	102,229	1,357	103,586
Loss for the year	—	—	—	—	(9,320)	(9,320)	(1,442)	(10,762)
Other comprehensive income:								
Changes in value of debt investment at fair value through other comprehensive income	—	—	—	1	—	1	—	1
Total comprehensive income/(loss)	—	—	—	1	(9,320)	(9,319)	(1,442)	(10,761)
Transaction with owners in their capacity as owners:								
Dividend declared	—	—	—	—	(1,010)	(1,010)	—	(1,010)
Balance at December 31, 2020	461	38,122	27,006	4,840	21,471	91,900	(85)	91,815
Balance at January 1, 2021	461	38,122	27,006	4,840	21,471	91,900	(85)	91,815
Loss for the year	—	—	—	—	(5,952)	(5,952)	(188)	(6,140)
Other comprehensive loss:								
Changes in value of debt investment at fair value through other comprehensive income	—	—	—	(29)	—	(29)	—	(29)
Total comprehensive loss	—	—	—	(29)	(5,952)	(5,981)	(188)	(6,169)
Transfer of fair value loss on debt investment at fair value through other comprehensive income to profits or loss upon disposal	—	—	—	25	—	25	—	25
Balance at December 31, 2021	461	38,122	27,006	4,836	15,519	85,944	(273)	85,671

The notes on page 73 to 137 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Note	2021 US\$'000	2020 US\$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	29(a)	2,301	(2,751)
Income tax refunded		8	—
Income tax paid		—	(146)
Net cash generated from/(used in) operating activities		2,309	(2,897)
Cash flows from investing activities			
Purchase of property, plant and equipment		(48,172)	(12,926)
Purchase of investment properties		(5)	(6)
Proceeds from disposal of property, plant and equipment	29(b)	101	88
Acquisition of intangible assets		—	(8)
Proceeds from disposal of financial assets at fair value through other comprehensive income		479	—
Interest received		33	298
Net cash used in investing activities		(47,564)	(12,554)
Cash flows from financing activities			
Proceeds from bank borrowing	29(c)	17,000	—
Principal elements of lease payments	29(c)	(823)	(1,125)
Interest paid	29(c)	(1,009)	(852)
Dividend paid	29(c)	—	(1,010)
Net cash generated from/(used in) financing activities		15,168	(2,987)
Net decrease in cash and cash equivalents		(30,087)	(18,438)
Cash and cash equivalents at beginning of year		38,164	56,602
Cash and cash equivalents at end of the year	21	8,077	38,164

The notes on page 73 to 137 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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

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

This consolidated financial statements are presented in United States dollars (“**US\$**”) and all values are rounded to the nearest thousand (“**US\$’000**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

During the year ended December 31, 2021, the Group reported a net loss of approximately US\$6,140,000. As at the same date, the Group’s current liabilities exceeded its current assets by US\$5,290,000. Included in its current liabilities was an interest-bearing bank borrowing of US\$17,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but are repayable on demand, and its cash and cash equivalents amounted to approximately US\$8,077,000. Moreover, the Group had capital commitment of US\$13,150,000 as at December 31, 2021 in relation to the ongoing renovation and upgrade works of hotels in Guam and Saipan (“**Renovation**”), settlement of which are expected to be made in the coming twelve months from December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern *(Continued)*

The Group is pursuing to complete the Renovation on time and within the expected budget. In order to finance the costs for the Renovation, the Group has obtained a facility from a bank of US\$43,000,000 and has drawn down US\$17,000,000 up to December 31, 2021. The Group expects to further draw down the unutilized facility in the coming twelve months for the capital commitment and the other uncommitted costs for the Renovation. Pursuant to the terms and conditions of the facility with the bank, the Group will be subject to certain undertaking clauses including but not limited to financial covenants and completion of the Renovation at an agreed date. Based on the latest construction progress and management's forecast on the Group's operating results in the next twelve months from the date of the consolidated statement of financial position, certain of these undertaking clauses may be breached in the coming twelve months, which may allow the bank to request for immediate repayment of all outstanding bank borrowing drawn under the facility.

Furthermore, the Group's hotels will be reopened upon substantial completion of the Renovation, yet the 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 above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

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) The Group will closely monitor its compliance with the undertaking clauses of the banking facility. When there is any breach of undertaking clauses, the Group will actively negotiate with the bank and obtain waiver for the relevant undertaking clauses to avoid the bank from requesting for immediate repayment of any outstanding bank borrowing drawn under the facility such that the bank borrowing will continue to be available to the Group. In particular, the bank acknowledged the Group's latest expected renovation completion date to be in the second half of 2022. Based on the latest communications between management and the bank, the Directors are not aware of any intention of the bank to withdraw its banking facility or demand immediate repayment. Furthermore, the banking facility of US\$43,000,000 is fully secured by the Group's hotel assets with ample security coverage, the Directors believe that the existing banking facility will continue to be available to the Group given the good track records and relationship the Group has with the bank;
- (ii) The Group is aiming at the schedule to substantially complete the Renovation for reopening of the hotels in the second half of 2022. Riding on the continuous ramping up of vaccination rates, policymakers of Saipan, Guam as well as the key tourist origin markets, including but not limited to Japan and South Korea, adopt the policy of "co-living with the virus" and make efforts to scrap restrictions and target to reopen borders and revitalize the tourism industry. In particular, Saipan and South Korea had successfully established the travel bubble agreement in July 2021, which also laid the foundation for the negotiation of the travel bubble agreement between Saipan and Japan. In addition, Japan and South Korea have relaxed the quarantine requirement for travelers returning home from the U.S. territories (including Guam and Saipan) in March 2022. As such, the Group is cautiously optimistic that the leisure travel market and the Group's business operations will recover as soon as the pandemic is contained and these hotels are expected to generate operating cash flows to the Group;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Going concern *(Continued)*

- (iii) The Group continues its efforts to generate sufficient cash flows from operating activities by implementing measures in expediting collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group; and
- (iv) The Group will consider obtaining additional sources of funding as and when needed to enhance the financial position and support the operations of the Group.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of twelve months from December 31, 2021. In the opinion of the Directors, in light of the above, 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 December 31, 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Whether the Group will be able to continue as a going concern would depend on the Group's ability to generate adequate financing and operating cash flows through:

- (i) successful in negotiating with the bank and obtain the waiver when there is a breach of any of the undertaking clauses under the bank facility to avoid the bank from requesting for immediate repayment of any outstanding bank borrowing drawn under the facility so that the bank borrowing will continue be available to the Group;
- (ii) successful in completing the Renovation on time and within the expected budget for reopening of the hotels in the second half of 2022 and generate operating cash flows to the Group, amid the development of COVID-19 pandemic might continue to impact the timing of resumption and resulting performance of the hotels;
- (iii) successful in implementing measures to generate sufficient cash flows from operating activities by expediting collection of outstanding trade receivables, improving sales and containing capital and operating expenditures to retain sufficient working capital for the operations of the Group; and
- (iv) obtaining additional sources of funding as and when needed to enhance the financial position and support the operations of the Group.

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 consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for its annual reporting period commencing January 1, 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform — Phase 2
HKFRS 4 and HKFRS 16

The adoption of these amendments to standards does not have any significant change to the accounting policies or any significant effect on the results and financial position of the Group.

2.1.3 New and amended standards, improvements and interpretation not yet adopted by the Group

Certain new accounting standards and amendments to standards, improvements and interpretation have been published that are not mandatory for the reporting period ended December 31, 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	January 1, 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	January 1, 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1 and Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.3 New and amended standards, improvements and interpretation not yet adopted by the Group (Continued)

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

2.1.4 Early adoption of amendment to standard during the year ended December 31, 2021 where early adoption is permitted

The following amendment to HKFRSs, which is applicable to the Group but are not yet effective for the current period, have been early adopted in the current year:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
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Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments due on or before June 30, 2022; and (iii) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling US\$698,000 have been accounted for as negative variable lease payments and recognized in operating and other expenses in the consolidated statement of comprehensive income for the year ended December 31, 2021 with a corresponding adjustment to the lease liabilities.

2.2 Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Separate financial statements *(Continued)*

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

2.5 Foreign currency translation

(i) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US\$, which is the Company's functional and the Group's presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other gains, net".

(iii) **Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of total comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings	20 to 48 years
Renovation and leasehold improvements	Shorter of lease term or 10 to 15 years
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized in the consolidated statement of comprehensive income.

2.7 Construction-in-progress

Construction-in-progress represents property, plant and equipment under construction and pending installation and is stated at cost. Cost includes the expenditure that is directly attributable to the construction of the items. No depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.6.

2.8 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

The Group's investment properties comprise buildings located in Saipan and Guam, which is measured initially at their costs, including the related transaction costs and where applicable, borrowing costs.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimated useful lives of 20 to 48 years.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

Subsequent expenditure is capitalized to the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognized on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in the consolidated statement of comprehensive income in the period of the retirement or disposal.

2.9 Intangible assets

Intangible assets represent computer software licenses and brand franchises and distribution rights that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (Note 2.10). Brand franchises and distribution rights are agreements entered into with the brand owners by the Group in the capacity as franchisee.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs incurred to acquire and bring specific computer software licenses to working condition are capitalized.

Variable franchisee fee paid to certain brand owners are not recognized upon initial recognition but expensed as incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Computer software	5 years
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2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("**cash-generating units**"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets

(a) **Classification**

Financial asset is classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“**OCI**”), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “Other gains, net” together with foreign exchange gains and losses. Impairment losses are presented in “Operating and other expenses” in the consolidated statement of comprehensive income.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “Other gains, net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other gains, net” and impairment expenses are presented in “Operating and other expenses” in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

(c) Measurement *(Continued)*

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “Other gains, net” in the period in which it arises.

Management has assessed the business model for the debt investments, and the Group elected to present in other comprehensive income for the fair value changes of all debt investments, as management considered that all debt investments are held within a portfolio with the objective by both collecting contractual cash flows that meet the “solely payments of principal and interest” criterion and selling financial assets.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables without a significant financing component, the Group applies the simplified approach permitted by HKFRS 9, which requires to recognize the lifetime expected credit losses.

2.12 Financial liabilities

(a) Recognition and measurement

Financial liabilities are classified as financial liabilities at amortized cost. Financial liabilities at amortized cost are recognized initially at fair value net of transaction costs incurred and subsequently stated at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first out (“**FIFO**”) method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Hotel consumables including linens and toiletries are expensed-off as incurred.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 2.11 for further information about the Group’s accounting for trade receivables and a description of the Group’s impairment policies.

2.16 Contract liabilities

Upon entering into a contract with a customer, the Group obtains right to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations give rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. Contract liabilities are recognized for services to be provided to customers represented by the excess of consideration received from the customers according to agreed customer billing schedules over cumulative revenue recognized.

2.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax are not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences (Continued)

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

During the year, the employees in Saipan, Guam and Hawaii are required to participate in a defined contribution pension scheme as defined in subsection 401(k) of the Internal Revenue Code. The subsidiary may make matching or non-elective contributions to the plan on behalf of eligible employees that is limited to a maximum pre-tax annual contribution of US\$19,500 (2020: US\$19,500) for the year ended December 31, 2021.

(b) Profit-sharing and bonus plan

The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.23 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provision *(Continued)*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is recognized when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time.

Revenue is recognized when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

- (i) Identification of the contract, or contracts, with a customer;
- (ii) Identification of the performance obligations in the contract;
- (iii) Determination of the transaction price;
- (iv) Allocation of the transaction price to the performance obligations in the contract;
- (v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognized over time if any of such criteria are met that the Group:

- provide all of the benefits received and consumed simultaneously by the customer; or
- create and enhance an asset that the customer controls as the Group perform; or
- do not create an asset with an alternative use of the Group and the Group has an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

The Group recognizes incremental costs incurred in obtaining contracts with customers as contract costs if those costs are expected to be recoverable. The contract costs are amortized on a basis consistent with the pattern of the transfer of the goods or services to which the asset relates. As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that the Group otherwise would have recognized is one year or less.

In instances where the revenue is determined to be recognized over time, the Group will measure its progress toward complete satisfaction to determine the timing of revenue recognition in a pattern that reflects the transfer of control of the promised product or service to the customer. The Group mainly employs the following two methods for measuring progress:

- Output methods, that recognize revenue based on direct measurements of the value transferred to the customer; or
- Input methods, that recognize revenue based on the Group's efforts to satisfy the performance obligation.

An entity is a principle if it controls the promised products or services before they are transferred to the customer. An entity is an agent if its role is to arrange for another entity to provide goods or service. The principal recognizes as revenue the "gross" amount paid by the customer for the specified product and service. The agent recognizes as revenue the commission or fee earned for facilitating the transfer of the specified goods or services (the "net" amount).

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generates its revenue, are presented below.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer.

The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) Hotel and hospitality

Hotel and hospitality includes full service hotels operation and select service hotels operation within which the Group provides hotel accommodations, food and beverage and other hospitality in Saipan and Guam.

The Group self-operates all its hotels. Room revenue is recognized over time in the accounting period in which the hotel accommodation services are transferred to the customer.

The Group sells the rooms directly either to tour operators on a wholesales basis, traditional travel agents ("TTAs"), corporate customers and individuals. The Group also sells the rooms through the online travel agents ("OTAs") to the end customers. On this basis, tour operators, TTAs, corporate customer and individuals are accounted for as the Group's customers. The Group has an agency relationship with OTAs whereby OTAs would book the room when they receive customers' order and in return receive fixed rate commission for their service. As such, the Group regards OTAs as the agents of the Group and their end-guests as the Group's customers. Revenue is recognized based on the amount received from the end-guests and payment made to the OTAs is recorded as commission expenses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition *(Continued)*

(a) Hotel and hospitality *(Continued)*

For the room revenue sold to the TTAs, a credit term of 30 days from the date of issue of invoice to the TTAs is granted. Invoices are issued to the TTAs twice a month. For the sale with OTAs, payment are either settled by the end-guests upon check-out by end-guests or settled by OTAs on a monthly basis. For certain sale with corporate customers, a credit term of 30 days is granted.

Revenue from food and beverage recognized at a point of time when the food and beverage are delivered to the customers.

Rental income received or receivable under operating leases is recognized in the consolidated statement of comprehensive income in equal instalments over the periods covered by the lease terms. Contingent rentals are recognized as income in the accounting period in which they are earned.

(b) Retail sales of luxury and leisure clothing and accessories, souvenirs and others

The Group procures merchandises from suppliers and sells products directly to customers in their self-operated boutiques, in which the revenue is recognized at a point of time when the control of the products is transferred to the customers, being when the goods are sold to the customers, there is no unfulfilled obligation that could affect the customers' acceptance of the goods, the customer has obtained the physical possession or the legal title of the goods and the Group has present right to payment. The Group controls the products in these transactions and, therefore, the Group is the principal and revenue is recognized on a gross basis. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

(c) Excursion tour operation and land arrangement services

The Group provides short-term self-operated excursion tour operation and land arrangement services for the tourists in Saipan. Revenue for excursion tours is recognized over time in accounting period in which the control of services are transferred to the customer because the customer simultaneously receives and consumes benefits provided by the Group's performance as it performs. Payment is made to the Group before the customers enjoy the tour service.

Commission income for the land arrangement activities is recognized when the services are rendered to the customers. The Group considered that it is an agent in providing these services. Payment is made in advance by the time the reservation is confirmed by the Group.

2.25 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases *(Continued)*

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Leases *(Continued)*

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.26 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividends are approved by the entity's shareholders or directors, where appropriate.

Dividend proposed or declared after the reporting period but before the financial statements are authorized for issue, are disclosed as a non-adjusting event and are not recognized as liability at the end of the reporting period.

2.27 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the consolidated statement of comprehensive income as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group is exposed to various kinds of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

The Group mainly operate in Saipan, Guam, Hawaii and Hong Kong with most of the transactions settled in US\$ and Hong Kong dollars ("**HK\$**"). 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 HK\$ is pegged to US\$, the directors considered the foreign exchange risk on HK\$ to the Group is minimal.

As at December 31, 2021, the financial assets and liabilities of the subsidiaries of the Group in Saipan, Guam and Hawaii are primarily denominated in US\$. Therefore, management considers the foreign exchange risk is insignificant to the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(i) Market risk *(Continued)*

(b) Interest rate risk

The Group's cash flow interest rate risk mainly arises from banks deposits and borrowings carried at floating interest rates.

As at December 31, 2021, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax loss for the years would have been approximately US\$45,000 higher/lower (2020: US\$93,000 lower/higher).

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash at bank, trade receivables, deposits and other receivables, and amounts due from related parties. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

While cash at bank are also subject to impairment requirements of HKFRS 9, the identified impairment loss was immaterial as the counterparties are of high credit quality with no history of default.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(a) Trade receivables

The Group applies the simplified approach to provide expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Except for the trade receivables from a government authority, all the other customers of the Group are assessed collectively using a provision matrix. The loss allowance provision as at December 31, 2021 is determined as follows; the expected credit losses below also incorporate forward looking information.

As at December 31, 2021, the trade receivable from a governmental authority amounted to approximately US\$13,094,000 (2020: US\$15,291,000). The credit quality of a governmental authority has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. Provision of approximately US\$210,000 (2020: US\$107,000) has been provided as at December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(a) Trade receivables (Continued)

The provision for trade receivables from other customers as at December 31, 2021 and 2020 were as follows:

	Current	Within 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
At December 31, 2021						
Expected loss rate	14.6%	31.3%	40.0%	100.0%	99.2%	
Gross carrying amount (excluding receivables assessed individually) (US\$'000)	41	32	10	1	479	563
Loss allowance provision (US\$'000)	6	10	4	1	475	496
At December 31, 2020						
Expected loss rate	0.0%	16.7%	16.7%	100.0%	97.7%	
Gross carrying amount (excluding receivables assessed individually) (US\$'000)	40	6	12	1	516	575
Loss allowance provision (US\$'000)	–	1	2	1	504	508

Please refer to Note 19 for the movements on the provision for impairment of trade receivables.

For the year ended December 31, 2021, the provision for loss allowances was recognized in the consolidated statement of comprehensive income under “Operating and other expenses” in relation to the impaired trade receivables.

As at December 31, 2021, the carrying amount of trade receivables was approximately US\$12,951,000 (2020: US\$15,251,000), and thus the maximum exposure to loss was approximately US\$12,951,000 (2020: US\$15,251,000).

(b) Deposits and other receivables and amounts due from related parties

The Group uses four categories for deposits and other receivables and amounts due from related parties which reflect their credit risk and how the loss provision is determined for each of those categories.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Deposits and other receivables and amounts due from related parties (Continued)

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are more than 90 days past due	Lifetime expected losses
Non-performing	Debtors have difficulties in making full payment despite numerous reminders	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at December 31, 2021, all of these financial assets are considered to have low credit risk, and thus the impairment provision recognized during the year was limited to 12 months expected losses. Management considered these financial assets to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the 12 months expected credit losses for these receivables are not material, and thus, no loss allowance provision was recognized during the year.

As at December 31, 2021 and 2020, the maximum exposure to loss of these financial assets were as follows:

	2021 US\$'000	2020 US\$'000
Deposits and other receivables	858	984
Amounts due from related parties	1	4
	859	988

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group aims to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

During the year ended December 31, 2021, the Group reported a net loss of approximately US\$6,140,000. As at the same date, the Group's current liabilities exceeded its current assets by US\$5,290,000. Included in its current liabilities was an interest-bearing bank borrowing of US\$17,000,000 drawn from a banking facility of US\$43,000,000 with scheduled repayments starting from September 2023 but are repayable on demand, and its cash and cash equivalents amounted to approximately US\$8,077,000. Moreover, the Group had capital commitment of US\$13,150,000 as at December 31, 2021 in relation to the Renovation, settlement of which are expected to be made in the coming twelve months from December 31, 2021.

The above conditions and the others stated in Note 2.1.1, indicated the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The plans and measures undertaken to mitigate the liquidity pressure and to improve the financial position of the Group are summarized in Note 2.1.1 of these consolidated financial statements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the end of the reporting period).

Specifically, for bank borrowing which contains a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for lease liabilities is prepared based on the scheduled repayment dates.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 year or on demand US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
At December 31, 2021					
Trade and other payables	8,860	—	—	—	8,860
Bank borrowing subject to a repayment on demand clause	17,000	—	—	—	17,000
Lease liabilities and interest payments	2,436	2,107	4,583	32,308	41,434
Amounts due to related parties	116	—	—	—	116
	28,412	2,107	4,583	32,308	67,410
At December 31, 2020					
Trade and other payables	5,271	—	—	—	5,271
Lease liabilities and interest payments	2,880	2,300	4,244	32,109	41,533
Amounts due to related parties	213	—	—	—	213
	8,364	2,300	4,244	32,109	47,017

The table below summarizes the maturity analysis of bank borrowing with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

	Maturity analysis – Bank borrowing subject to a repayment on demand clause based on scheduled repayment			
	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Total US\$'000
At December 31, 2021	425	791	17,633	18,849

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as "Bank borrowing" as shown in the consolidated statement of financial position. Total capital is calculated as "Equity" as shown in the consolidated statement of financial position.

The gearing ratios as at December 31, 2021 and 2020 were as follows:

	2021 US\$'000	2020 US\$'000
Total debt:		
Bank borrowing (Note 26)	17,000	—
Total capital	85,671	91,815
Gearing ratio	19.8%	Nil

3.3 Fair value estimation

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value estimation of the financial asset at fair value through other comprehensive income as at December 31, 2020 was categorized in level 1 hierarchy.

The carrying value of the Group's financial assets and liabilities are reasonable approximation to their fair values.

3.4 Offsetting financial assets and financial liabilities

There is no material offsetting, enforceable master netting arrangement and similar agreements as at December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Provision for impairments of trade receivables

The Group's management determines the provision for impairment of trade receivables on a forward-looking basis and the expected lifetime losses are recognized from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed by the Group's management.

(ii) Current and deferred income tax

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(iii) Net realizable value of inventories

The Group writes down inventories to net realizable value based on an assessment of the realizability of inventories. Write-downs of inventories are recorded where events or changes in circumstances indicate that the balances may not be realized. The identification of write-downs requires the use of judgment and estimates. These estimates are based on the market condition and the historical experience of selling prices of similar nature. Where the expectation is different from the original estimate, such difference will impact the carrying value of inventories and write-downs of inventories in the period in which such estimate has been changed.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5 SEGMENT INFORMATION

The executive directors have been identified as the Group's CODM. The CODM has determined the operating segments based on the reports reviewed by them that are used to make strategic decisions and resources allocation. The Group's businesses are managed according to the nature of their operations and the products and services they provide.

The CODM has identified three reportable operating segments as follows:

- (a) Hotels and resorts: operation of hotels and leasing of commercial premises located within the hotel buildings in Saipan and Guam (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 loss. Expenses, where appropriate, are allocated to operating segments with reference to revenue contributions of respective segments. Finance income, finance costs and other gains, net are not included in the result for each operating segment that is reviewed by the Group's CODM.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2021 are as follows:

	Year ended December 31, 2021				Total US\$'000
	Hotels and resorts US\$'000	Luxury travel retail US\$'000	Destination services US\$'000	Unallocated US\$'000	
Revenue					
Revenue from external customers	15,234	4,371	196	–	19,801
Segment results	(3,421)	(979)	(186)	(1,716)	(6,302)
Other gains, net					55
Finance income					33
Finance costs					(977)
Loss before income tax					(7,191)
Income tax credit					1,051
Loss for the year					(6,140)
Loss for the year includes:					
Depreciation for property, plant and equipment	3,284	957	22	57	4,320
Depreciation for investment properties	97	–	–	–	97
Amortization for intangible assets	101	20	–	–	121
Provision for obsolete inventory	–	344	–	–	344
Provision for impairment of trade receivables	115	–	–	–	115
Write-off of property, plant and equipment and investment properties	1,341	–	–	–	1,341
Impairment loss on property, plant and equipment	–	68	–	–	68
Capital expenditure	51,097	2,086	142	2	53,327

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5 SEGMENT INFORMATION (Continued)

The segment information provided to the Group's CODM for the reportable segments for the year ended December 31, 2020 are as follows:

	Year ended December 31, 2020				
	Hotels and resorts US\$'000	Luxury travel retail US\$'000	Destination services US\$'000	Unallocated US\$'000	Total US\$'000
Revenue					
Total segment revenue	30,123	10,120	587	–	40,830
Inter-segment revenue	(46)	–	–	–	(46)
Revenue from external customers					
	30,077	10,120	587	–	40,784
Segment results	(1,610)	(7,695)	(1,523)	(1,436)	(12,264)
Other gains, net					70
Finance income					298
Finance costs					(883)
Loss before income tax					
					(12,779)
Income tax credit					2,017
Loss for the year					
					(10,762)
Loss for the year includes:					
Depreciation for property, plant and equipment	4,871	3,283	216	56	8,426
Depreciation for investment properties	113	–	–	–	113
Amortization for intangible assets	116	20	–	–	136
Provision for obsolete inventory	–	578	–	–	578
Provision for impairment of trade receivables	399	–	–	–	399
Write-off of property, plant and equipment and investment properties	2,938	–	–	–	2,938
Impairment loss on property, plant and equipment	–	2,774	726	–	3,500
Capital expenditure	17,323	607	16	3	17,949

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

5 SEGMENT INFORMATION *(Continued)*

Geographical information

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

	2021 US\$'000	2020 US\$'000
Saipan	15,943	26,803
Guam	2,426	12,718
Hawaii	1,432	1,263
	19,801	40,784

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

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

	2021 US\$'000	2020 US\$'000
Saipan	39,553	14,763
Guam	62,110	41,014
Hawaii	2,860	1,327
Hong Kong	18	72
	104,541	57,176

Information about major customers

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

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

	2021 US\$'000	2020 US\$'000
Customer A	14,543	16,447

All other customers individually accounted for less than 10% of the Group's revenue for the year ended December 31, 2021 and 2020.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

6 REVENUE

(a) Disaggregation of revenue

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

	2021 US\$'000	2020 US\$'000
Room rentals	12,294	24,894
Food and beverage	2,802	4,681
Retailing		
— Luxury and leisure clothing and accessories	4,371	10,120
— Souvenirs and others	196	432
Operating excursion tour and rendering of land arrangement services	—	155
Other hospitality (Note (i))	39	183
Space rental income (Note (ii))	99	319
	19,801	40,784

Notes:

- (i) Other hospitality mainly represents late check-out charges, cancellation charges, laundry income, sales of items from mini bar, smoking fee and extra bed charges.
- (ii) Space rental income mainly represents rental income derived from third-party operating services and facilities.

	2021 US\$'000	2020 US\$'000
Timing of revenue recognition		
At point in time	7,408	15,526
Over time	12,294	24,939
	19,702	40,465
Revenue from other sources:		
Rental income	99	319
	19,801	40,784

7 OTHER GAINS, NET

	2021 US\$'000	2020 US\$'000
Net exchange losses	(8)	(8)
Gains on disposal of property, plant and equipment	86	78
Gains on early termination of lease contracts	2	—
Loss on disposal of financial asset at fair value through other comprehensive income	(25)	—
	55	70

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

8 EXPENSES BY NATURE

	2021 US\$'000	2020 US\$'000
Cost of inventories sold (Note 18)	3,301	7,933
Food and beverage costs	617	1,237
Employee benefit expenses (Note 9)	6,083	13,571
Utilities, repairs and maintenance	2,104	3,697
Short-term leases expenses*	224	183
Variable lease payment expenses*	306	249
Rent concessions from lessors*	(698)	(952)
Depreciation on property, plant and equipment* (Note 14)	4,320	8,426
Depreciation on investment properties* (Note 15)	97	113
Amortization on intangible assets* (Note 16)	121	136
Other taxes and licenses*	1,154	2,337
Supplies and tools*	361	982
Shared-services expenses*	192	204
Laundry expenses*	174	339
Temporary labour costs*	160	218
Commission expenses*	41	644
Insurance expenses*	887	1,040
Provision for impairment of trade receivables* (Note 19)	115	399
Provision for obsolete inventory* (Note 18)	344	578
Write-off of property, plant and equipment and investment properties*	1,341	2,938
Impairment loss on property, plant and equipment*	68	3,500
Auditors' remuneration*		
— Audit services	169	218
— Non-audit services	64	13
Hotel management fees*	229	612
Other miscellaneous expenses* (Note (a))	4,329	4,433
	26,103	53,048
Representing:		
Cost of inventories sold	3,301	7,933
Food and beverage costs	617	1,237
Employee benefit expenses	6,083	13,571
Utilities, repairs and maintenance	2,104	3,697
Operating and other expenses	13,998	26,610
	26,103	53,048

* Included in "Operating and other expenses"

Note:

(a) Other miscellaneous expenses mainly represent professional fees, donations, promotion, communication, transportation and entertainment expenses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENT)

	2021	2020
	US\$'000	US\$'000
Wages, salaries, bonuses and allowances	4,403	8,712
Pension cost — defined contribution scheme	58	87
Staff welfare and benefits	1,622	4,772
	6,083	13,571

(a) Five highest paid individuals

For the year ended December 31, 2021, the five individuals whose emoluments were the highest in the Group include 3 (2020: 3) directors, whose emoluments were reflected in Note 33(a). The emoluments paid to the remaining 2 (2020: 2) individuals are as follows:

	2021	2020
	US\$'000	US\$'000
Salaries, wages and other allowances and benefits in kind	321	293
Discretionary bonus	34	23
Pension costs — defined contribution plans	4	2
	359	318

The emoluments of the remaining individuals fell within the following bands:

	No. of individuals	
	2021	2020
Emolument bands		
HK\$1,000,001 — HK\$1,500,000 (equivalent to US\$128,205 to US\$192,307)	1	2
HK\$1,500,001 — HK\$2,000,000 (equivalent to US\$192,308 to US\$256,410)	1	—

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any of the five highest paid individuals during the year ended December 31, 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

10 FINANCE COSTS, NET

	2021 US\$'000	2020 US\$'000
Finance income:		
— Interest income from bank deposits	33	275
— Interest income from financial asset at fair value through other comprehensive income	—	23
	33	298
Finance costs:		
— Interest expenses on lease liabilities	(970)	(852)
— Interest expenses on Paycheck Protection Program loans	(7)	(31)
— Interest expenses on bank borrowing	(94)	—
	(1,071)	(883)
Less: Amounts capitalized	94	—
	(977)	(883)
Finance costs, net	(944)	(585)

11 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 the year ended December 31, 2021 (2020: Nil).

	2021 US\$'000	2020 US\$'000
Deferred tax (Note 27)		
Origination and reversal of temporary differences	1,051	2,017

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

11 INCOME TAX CREDIT *(Continued)*

The Group's subsidiaries incorporated in the CNMI, Guam and Hawaii were subject to income tax rate of 21%. The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2021 US\$'000	2020 US\$'000
Loss before income tax	(7,191)	(12,779)
Tax calculated at the applicable domestic tax rates	(1,442)	(2,650)
Tax effects of:		
Income not subject to tax	(5)	(45)
Expenses not deductible for tax purpose	658	1,371
Income tax credits arising from business gross receipt tax payments (" BGRT ") (Note (a))	(262)	(693)
Income tax credit	(1,051)	(2,017)

Note:

- (a) Income tax credits arising from business gross receipt tax payments

The CNMI imposes progressive (1.5% to 5%) BGRT. Companies incorporated and operating in the CNMI are entitled to use BGRT as tax credits in deriving the corporate income tax during the years ended December 31, 2021 and 2020.

The weighted average applicable domestic tax rate was 20% for the year ended December 31, 2021 (2020: 21%).

12 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 year.

	2021	2020
Loss attributable to owners of the Company (US\$'000)	(5,952)	(9,320)
Weighted average number of ordinary shares in issue (thousands)	360,000	360,000
Basic loss per share (US cents)	(1.7)	(2.6)

(b) Diluted

Diluted loss per share presented is the same as the basic loss per share as there was no potentially dilutive ordinary share outstanding as at December 31, 2021 (2020: Nil).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

13 SUBSIDIARIES

Particulars of the principal subsidiaries at December 31, 2021 were as follows:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid share capital	Ownership interest held by the Company	
				Direct	Indirect
S.A.I. CNMI Holdings Limited	BVI	Investment holding, BVI	US\$1	100%	—
S.A.I. Guam Holdings Limited	BVI	Investment holding, BVI	US\$1	100%	—
S.A.I. CNMI Tourism Inc.	CNMI	Investment holding, Saipan	US\$100	—	100%
S.A.I. Guam Tourism Inc.	Guam	Investment holding, Guam	US\$10,000	—	100%
Asia Pacific Hotels, Inc.	CNMI	Hotel operations, Saipan	US\$15,000,000	—	100%
CKR, LLC (Note (i))	CNMI	Dormant, Saipan	N/A	—	100%
Asia Pacific Hotels, Inc. (Guam)	Guam	Hotel operations, Guam	US\$9,500,000	—	100%
Gemkell Corporation	Guam	Retail of luxury travel accessories, Guam	US\$80,000	—	80%
Gemkell (Saipan) Corporation	CNMI	Retail of luxury travel accessories, Saipan	US\$100,000	—	80%
Taga Fashion Group, LLC	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Hawes Group, LLC	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Ellen Group, LLC	Guam	Retail of luxury travel accessories, Guam	US\$1,000	—	80%
Gemkell U.S.A. LLC	Hawaii	Retail of luxury travel accessories, Hawaii	US\$1,000,000	—	80%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

13 SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation	Issued and fully paid share capital	Ownership interest held by the Company	
				Direct	Indirect
Century Tours, Inc.	CNMI	Provision of ground handling and concierge services and retail of consumer products, Saipan	US\$1,000,000	—	100%
Let's Go Tours Company	CNMI	Provision of excursion service, Saipan	US\$500,000	—	100%
Saipan Adventures, Inc.	CNMI	Provision of ground handling and concierge services, Saipan	US\$100,000	—	100%
J&K Marine Sports, Inc.	CNMI	Provision of excursion service, Saipan	US\$50,000	—	100%
Sea-Touch, LLC (Note (a))	CNMI	Provision of excursion service, Saipan	N/A	—	100%

Note:

(a) CKR, LLC and Sea-Touch, LLC are limited liability companies which do not have shares or stock.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

14 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets (Note) 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
As at January 1, 2020								
Cost	19,947	48,593	26,215	10,820	9,070	984	117	115,746
Accumulated depreciation	(2,802)	(27,521)	(18,489)	(7,078)	(7,854)	(524)	–	(64,268)
Net book amount	17,145	21,072	7,726	3,742	1,216	460	117	51,478
Year ended December 31, 2020								
Opening net book amount	17,145	21,072	7,726	3,742	1,216	460	117	51,478
Additions	–	49	264	667	93	41	12,359	13,473
Lease modifications	4,470	–	–	–	–	–	–	4,470
Disposals	–	–	–	–	–	(10)	–	(10)
Write-off	–	(1,406)	–	(932)	(428)	–	–	(2,766)
Transfer	–	–	–	83	–	–	(83)	–
Depreciation charges	(2,675)	(1,043)	(2,916)	(1,074)	(543)	(175)	–	(8,426)
Impairment	(1,107)	–	(2,130)	(7)	(1)	(255)	–	(3,500)
Closing net book amount	17,833	18,672	2,944	2,479	337	61	12,393	54,719
As at December 31, 2020								
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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets (Note) 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
Year ended December 31, 2021								
Opening net book amount	17,833	18,672	2,944	2,479	337	61	12,393	54,719
Additions	–	41	265	1,665	108	56	49,008	51,143
Lease modifications	2,179	–	–	–	–	–	–	2,179
Disposals	–	–	–	(5)	(10)	–	–	(15)
Write-off	–	(26)	(1,103)	(164)	(11)	–	(34)	(1,338)
Depreciation charges	(1,577)	(916)	(907)	(696)	(187)	(37)	–	(4,320)
Impairment	(27)	–	(41)	–	–	–	–	(68)
Closing net book amount	18,408	17,771	1,158	3,279	237	80	61,367	102,300
As at December 31, 2021								
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

Depreciation has been charged to “Operating and other expenses” for the year ended December 31, 2021 (2020: Same).

During the year ended December 31, 2021, the Group has capitalized borrowing costs amounting to approximately US\$94,000 (2020: Nil) on qualifying assets.

As at December 31, 2021, certain buildings and construction in progress of the Group of US\$76,281,000 (2020: US\$17,709,000) have been pledged as security for the banking facilities.

As at December 31, 2021, the Group had property, plant and equipment of hotels and retail store assets of approximately US\$99,044,000 (2020: US\$52,588,000) and approximately US\$2,981,000 (2020: US\$1,727,000) respectively that were subject to impairment tests in the event that trading performance is below expectation, store is loss making or existence of other observable indications of declined in value of the property, plant and equipment. The Group considered each individual hotel and retail store as a separately identifiable cash-generating unit (“CGU”) and performed impairment assessments on each of the CGU with impairment indicators by considering the recoverable amount of such assets at hotel and retail store level.

The carrying amounts of the hotels and retail store assets are written down to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash flow projections prepared by management covering the remaining tenure of the lease, with major assumptions such as percentage change in revenue, gross profit margin and operating costs. As a result, an impairment loss of property, plant and equipment (including right-of-use assets) of approximately US\$68,000 (2020: US\$2,774,000) was recognized in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Amounts recognized in the consolidated statement of financial position

The following right-of-use assets are included in the line item of property, plant and equipment:

	2021	2020
	US\$'000	US\$'000
Right-of-use assets		
Leasehold land*	15,339	16,044
Buildings	3,069	1,789
	18,408	17,833
Lease liabilities		
Current	1,539	2,003
Non-current	18,760	17,585
	20,299	19,588

* The Group has land lease arrangement with CNMI and Guam government.

- (b) Amounts recognized in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2021	2020
	US\$'000	US\$'000
Depreciation charge of right-of-use assets		
Leasehold land	705	687
Buildings	872	1,988
	1,577	2,675
Interest expense (Note 10)	970	852
Expense relating to short-term leases (Note 8)	224	183
Expense relating to variable lease payments not included in lease liabilities (Note 8)	306	249
Rent concessions from lessors (Note 8)	(698)	(952)
Impairment loss on right-of-use assets	27	1,107

The total cash outflow for leases amounted to US\$2,268,000 (2020: US\$2,409,000) for the year ended December 31, 2021.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Notes: *(Continued)*

- (c) The Group's leasing activities and how these are accounted for

The Group leases various land, retail stores, offices and warehouses. Rental contracts are typically made for periods of 2 to 60 years, but may have extension options as described in (e) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

- (d) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from hotels and retail stores. For individual stores, certain lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimizing the fixed costs base for hotels and retail stores. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs. A 10% increase in sales across all hotels and retail stores in the Group with such variable lease contracts would increase total lease payments by approximately US\$31,000 (2020: US\$25,000).

- (e) Extension and termination options

Extension and termination options are included in a number of properties leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

15 INVESTMENT PROPERTIES

	US\$'000
As January 1, 2020	
Cost	4,322
Accumulated depreciation	(1,815)
	<hr/>
Net book amount	2,507
	<hr/>
Year ended December 31, 2020	
Opening net book amount	2,507
Additions	6
Depreciation charge	(113)
Write-off	(172)
	<hr/>
Closing net book amount	2,228
	<hr/>
As at December 31, 2020	
Cost	3,950
Accumulated depreciation	(1,722)
	<hr/>
Net book amount	2,228
	<hr/>
Year ended December 31, 2021	
Opening net book amount	2,228
Additions	5
Depreciation charge	(97)
Write-off	(3)
	<hr/>
Closing net book amount	2,133
	<hr/>
As at December 31, 2021	
Cost	3,947
Accumulated depreciation	(1,814)
	<hr/>
Net book amount	2,133
	<hr/>

As at December 31, 2021, the fair values of the investment properties of the Group, as determined by the directors, were US\$7,068,000 (2020: US\$7,068,000).

As at December 31, 2021, certain investment properties of the Group of US\$2,090,000 (2020: US\$2,169,000), have been pledged as security for the banking facilities.

The investment properties are situated in Saipan and Guam.

Depreciation has been charged to "Operating and other expenses" for the year ended December 31, 2021 (2020: Same).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

16 INTANGIBLE ASSETS

	Computer software US\$'000
As at January 1, 2020	
Cost	817
Accumulated amortization	(460)
Net book amount	<u>357</u>
Year ended December 31, 2020	
Opening net book amount	357
Additions	8
Amortization charge	(136)
Closing net book amount	<u>229</u>
As at December 31, 2020	
Cost	825
Accumulated amortization	(596)
Net book amount	<u>229</u>
Year ended December 31, 2021	
Opening net book amount	229
Amortization charge	(121)
Closing net book amount	<u>108</u>
As at December 31, 2021	
Cost	825
Accumulated amortization	(717)
Net book amount	<u>108</u>

Amortization has been charged to "Operating and other expenses" for the year ended December 31, 2021 (2020: Same).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

17 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt investment at fair value through other comprehensive income comprise the investment in listed bond:

	2021 US\$'000	2020 US\$'000
Debt securities listed in Hong Kong	—	508

Upon disposal of debt investment, the related balance of approximately US\$25,000 within the fair value through other comprehensive income reserve was reclassified to profit or loss.

The carrying amount of the financial asset at fair value through other comprehensive income was denominated in US\$.

18 INVENTORIES

	2021 US\$'000	2020 US\$'000
Merchandises	2,562	4,657

Inventories recognized as an expense for the year ended December 31, 2021 amounted to US\$3,301,000 (2020: US\$7,933,000) and included in “Cost of inventories sold” in the consolidated statement of comprehensive income.

Provision for obsolete inventory for the year ended December 31, 2021 amounted to US\$344,000 (2020: US\$578,000). These were in “Operating and other expenses” in the consolidated statement of comprehensive income.

19 TRADE RECEIVABLES

	2021 US\$'000	2020 US\$'000
Trade receivables	13,657	15,866
Less: provision for impairment	(706)	(615)
Total trade receivables, net	12,951	15,251

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

19 TRADE RECEIVABLES (Continued)

Notes:

(a) Trade receivables

The majority of the Group's sales are with credit terms of 30 days from the invoice date. The aging analysis of the trade receivables based on invoice date were as follows:

	2021	2020
	US\$'000	US\$'000
Within 30 days	1,823	1,106
31 to 60 days	1,702	1,046
61 to 90 days	1,297	1,024
Over 90 days	8,835	12,690
	13,657	15,866

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. As at December 31, 2021, provisions of US\$706,000 (2020: US\$615,000) were made against the gross amounts of trade receivables.

As at December 31, 2021, approximately 96% (2020: 95%) of the Group's trade receivables were due from the largest customer.

Movements on the provision for impairment of trade receivables are as follows:

	2021	2020
	US\$'000	US\$'000
At beginning of the year	615	216
Provision for impairment	115	399
Trade receivables written off during the year as uncollectible	(24)	—
At end of the year	706	615

The maximum exposure to credit risk as at December 31, 2021 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 Consolidated Financial Statements

For the year ended December 31, 2021

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	US\$'000	US\$'000
Deposits	842	934
Prepayments	936	1,056
Other receivables	16	50
	1,794	2,040
Less: non-current portion		
Rental and utility deposits	(839)	(934)
Current portion	955	1,106

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:

	2021	2020
	US\$'000	US\$'000
US\$	1,720	2,007
HK\$	74	33
	1,794	2,040

21 CASH AND CASH EQUIVALENTS

	2021	2020
	US\$'000	US\$'000
Cash at banks	8,027	38,106
Cash on hand	50	58
	8,077	38,164
Maximum exposure to credit risk	8,027	38,106

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

21 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	2021	2020
	US\$'000	US\$'000
US\$	8,037	37,938
HK\$	40	226
	8,077	38,164

22 SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares, issued and fully paid:

	Number of shares	Nominal value of ordinary shares	Share premium
		US\$'000	US\$'000
At January 1, 2020 and December 31, 2020 and 2021	360,000,000	461	38,122

23 CAPITAL RESERVE AND OTHER RESERVE

(a) Capital reserve

Capital reserve of US\$27,006,000 represented the contribution from the immediate holding company with respect to the consideration for the acquisition of subsidiaries pursuant to a reorganization for the Listing.

(b) Other reserve

Other reserve of US\$4,809,000 represented the deemed contribution from Tan Holdings Limited before the reorganization for the Listing.

On September 3, 2019, the Group entered into a sale and purchase agreement to acquire additional interests in two subsidiaries from non-controlling interests and recognized an increase in other reserve of US\$27,000.

During the year ended December 31, 2021, the balance of approximately US\$25,000 within the fair value through other comprehensive income reserve was reclassified to profit or loss upon disposal of the debt investment.

24 NON-CONTROLLING INTERESTS

As at December 31, 2021, the Group's non-controlling interests ("NCI") amounting to approximately US\$(273,000) (2020: US\$(85,000)), are arising from Gemkell Corporation and Gemkell (Saipan) Corporation, which are the Group's 80% owned subsidiaries.

Summarized financial information of the subsidiaries with material non-controlling interest

Set out below are the summarized financial information of Gemkell Corporation and Gemkell (Saipan) Corporation, which have non-controlling interests that are material to the Group.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

24 NON-CONTROLLING INTERESTS (Continued)

(a) Gemkell Corporation

Summarized statement of financial position of Gemkell Corporation:

	2021 US\$'000	2020 US\$'000
Current		
Assets	6,648	7,332
Liabilities	(5,657)	(5,543)
Net current assets	991	1,789
Non-current		
Assets	3,828	2,407
Liabilities	(2,995)	(1,276)
Net non-current assets	833	1,131
Net assets	1,824	2,920
Accumulated NCI	365	584

Summarized statement of comprehensive income of Gemkell Corporation:

	2021 US\$'000	2020 US\$'000
Revenue	3,828	6,885
Total comprehensive loss for the year	(1,096)	(3,990)
Total comprehensive loss for the year attributable to NCI	(219)	(798)

Summarized statement of cash flows of Gemkell Corporation:

	2021 US\$'000	2020 US\$'000
Net cash generated from operating activities	1,170	164
Net cash used in investing activities	(17)	(7)
Net cash used in financing activities	(685)	(728)
Net increase/(decrease) in cash and cash equivalents	468	(571)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

24 NON-CONTROLLING INTERESTS (Continued)

(b) Gemkell (Saipan) Corporation

Summarized statement of financial position of Gemkell (Saipan) Corporation:

	2021 US\$'000	2020 US\$'000
Current		
Assets	2,833	2,851
Liabilities	(5,956)	(6,181)
Net current liabilities	(3,123)	(3,330)
Non-current		
Assets	11	258
Liabilities	(76)	(271)
Net non-current liabilities	(65)	(13)
Net liabilities	(3,188)	(3,343)
Accumulated NCI	(638)	(669)

Summarized statement of comprehensive income of Gemkell (Saipan) Corporation:

	2021 US\$'000	2020 US\$'000
Revenue	543	3,235
Total comprehensive income/(loss) for the year	155	(3,220)
Total comprehensive income/(loss) for the year attributable to NCI	31	(644)

Summarized statement of cash flows of Gemkell (Saipan) Corporation:

	2021 US\$'000	2020 US\$'000
Net cash generated from operating activities	21	914
Net cash used in financing activities	(23)	(68)
Net (decrease)/increase in cash and cash equivalents	(2)	846

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

25 TRADE AND OTHER PAYABLES

	2021	2020
	US\$'000	US\$'000
Trade payables		
— to third parties (Note (a))	1,105	1,087
— to related parties (Note (b))	50	36
	1,155	1,123
Accruals and other payables		
— Accrued staff salaries	434	668
— Other taxes payable	2,149	1,540
— Other accruals and payables	4,828	4,148
— Payables for purchase of property, plant and equipment	2,877	—
— Deferred government grants (Note (c))	2,262	4,527
	12,550	10,883
	13,705	12,006

(a) Trade payables to third parties

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

	2021	2020
	US\$'000	US\$'000
Within 30 days	642	527
31 to 60 days	71	166
61 to 90 days	62	193
Over 90 days	330	201
	1,105	1,087

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

25 TRADE AND OTHER PAYABLES (Continued)

(b) Amounts due to related parties

As at 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 follows:

	2021 US\$'000	2020 US\$'000
Within 30 days	1	36
31 to 60 days	4	—
61 to 90 days	22	—
Over 90 days	23	—
	50	36

(c) Deferred government grants

During the year ended December 31, 2021, the Group has successfully applied for a loan of US\$760,000 under the second round of the Paycheck Protection Program (“**PPP loan**”) and the total amount of PPP loan outstanding as at December 31, 2021 is US\$2,262,000 (2020: US\$4,527,000). The PPP loan is unsecured, interest-bearing of 1% per annum and repayable within five years from the draw down date. Generally, the PPP loan will be forgiven as long as it is used to cover payroll costs, mortgage interest, rent and utility costs of the Group. The employee and compensation levels of the Group are maintained over certain measurement period after the loan has been granted.

For the year ended December 31, 2021, PPP loan of US\$2,875,000 (2020: Nil) has been forgiven by the government and recognized in the consolidated statement of comprehensive income over the year ended December 31, 2021 to match them with the costs that they are intended to compensate. As at December 31, 2021, the Group has applied for the forgiveness of US\$2,262,000 of PPP loan. The total amount of US\$2,262,000 (2020: US\$4,527,000) PPP loan outstanding was recognized as deferred government grant in the consolidated statement of financial position.

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

	2021 US\$'000	2020 US\$'000
US\$	13,306	11,180
HK\$	399	826
	13,705	12,006

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

26 BANK BORROWING

	2021 US\$'000	2020 US\$'000
Current		
Bank borrowing, secured	17,000	—

Bank borrowing due for repayment after one year which contain a repayment on demand clause is classified as a current liability.

As at December 31, 2021, the Group's borrowing, based on the scheduled repayment terms set out in the loan agreements and ignoring effect of any repayment on demand clause, were repayable as follows:

	2021 US\$'000	2020 US\$'000
Due for repayment:		
After 1 year but within 2 years	367	—
After 2 years but within 5 years	16,633	—
	17,000	—

The effective interest rate of these short-term bank borrowings was 2.5% per annum for the year ended December 31, 2021.

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

As at December 31, 2021, the Group had aggregate banking facilities of US\$43,000,000 (2020: US\$11,007,000). Unused facilities as at December 31, 2021 amounted to US\$26,000,000 (2020: US\$11,007,000). The Group's banking facility is secured and guaranteed by:

- (a) certain property, plant and equipment and investment properties owned by the Group as at December 31, 2021 (Notes 14 and 15) (2020: Same); and
- (b) corporate guarantee provided by the Company and its subsidiaries (2020: the Company).

27 DEFERRED INCOME TAX ASSETS

The analysis of deferred income tax assets is as follows:

	2021 US\$'000	2020 US\$'000
Deferred income tax assets	4,341	3,290

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

27 DEFERRED INCOME TAX ASSETS (Continued)

The movements of deferred income tax assets are as follows:

	Deferred tax on the impairment loss of trade receivables US\$'000	Decelerated tax depreciation US\$'000	Tax losses US\$'000	Total US\$'000
As at January 1, 2020	22	2,013	—	2,035
Credited to the consolidated statement of comprehensive income	51	254	1,204	1,509
As at December 31, 2020	73	2,267	1,204	3,544
Credited to the consolidated statement of comprehensive income	4	149	920	1,073
As at December 31, 2021	77	2,416	2,124	4,617

The movements of deferred income tax liabilities are as follows:

	Accelerated tax depreciation US\$'000
As at January 1, 2020	(762)
Credited to the consolidated statement of comprehensive income	508
As at December 31, 2020	(254)
Charged to the consolidated statement of comprehensive income	(22)
As at December 31, 2021	(276)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. As at December 31, 2021, the Group did not have unrecognized deferred income tax assets (2020: Same) in respect of losses that can be carried forward against future taxable income.

Deferred income tax liabilities of US\$9,124,000 (2020: US\$10,293,000) have not been recognized for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries at December 31, 2021, respectively. Such amounts are considered by the directors to be permanently reinvested.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

28 COMMITMENTS

(a) Operating leases rental receivables – the Group as lessor

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2021 US\$'000	2020 US\$'000
No later than 1 year	68	487
Later than 1 year and no later than 5 years	19	527
	87	1,014

(b) Capital commitments

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

	2021 US\$'000	2020 US\$'000
Property, plant and equipment	13,150	4,609

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net cash generated from/(used in) operations

	2021 US\$'000	2020 US\$'000
Loss before income tax	(7,191)	(12,779)
Adjustments for:		
Depreciation of property, plant and equipment	4,320	8,426
Depreciation of investment properties	97	113
Amortization of intangible assets	121	136
Provision for impairment of trade receivables	115	399
Provision for obsolete inventory	344	578
Gains on disposal of property, plant and equipment	(86)	(78)
Write-off of property, plant and equipment and investment properties	1,341	2,938
Impairment loss on property, plant and equipment	68	3,500
Interest income	(33)	(298)
Interest expense	977	883
Rent concessions from lessors	(698)	(952)
Gains on early termination of lease contracts	(2)	—
Loss on disposal of financial asset at fair value through other comprehensive income	25	—
Operating (loss)/profit before changes in working capital	(602)	2,866
Changes in working capital:		
Decrease in inventories	1,751	3,055
Decrease/(increase) in trade receivables	2,185	(12,099)
Decrease in deposits, prepayments and other receivables	246	1,309
(Decrease)/increase in trade and other payables	(1,185)	2,342
Decrease in contract liabilities	—	(413)
Decrease in amounts due from related parties	3	46
(Decrease)/increase in amounts due to related parties	(97)	143
Net cash generated from/(used in) operations	2,301	(2,751)

(b) Proceeds from disposal of property, plant and equipment

	2021 US\$'000	2020 US\$'000
Net book amount (Note 14)	15	10
Gains on disposal of property, plant and equipment	86	78
Proceeds from disposal of property, plant and equipment	101	88

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Cash flow information – financing activities

The movements of liabilities from financing activities for the year ended December 31, 2021:

	Lease liabilities	Dividend payables	Bank borrowing	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2020	17,195	—	—	17,195
Accrued interest	852	—	—	852
Interest paid	(852)	—	—	(852)
Dividend declared	—	1,010	—	1,010
Cash outflow	(1,125)	(1,010)	—	(2,135)
Rent concessions from lessors	(952)	—	—	(952)
Non cash — lease modification	4,470	—	—	4,470
At December 31, 2020	19,588	—	—	19,588
At January 1, 2021	19,588	—	—	19,588
Accrued interest	970	—	94	1,064
Interest paid	(915)	—	(94)	(1,009)
Proceeds from bank borrowing	—	—	17,000	17,000
Cash outflow	(823)	—	—	(823)
Rent concessions from lessors	(698)	—	—	(698)
Non cash — lease modification	2,177	—	—	2,177
At December 31, 2021	20,299	—	17,000	37,299

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The Controlling Shareholders of the Company are disclosed in Note 1.

During the years ended December 31, 2021 and 2020, the Group had the following significant transactions with fellow subsidiaries and related parties. Related companies include companies which are beneficially owned or controlled by the Controlling Shareholders of the Company, individually, jointly or collectively, or together with their close family members.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

30 RELATED PARTY TRANSACTIONS (Continued)

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2021 and 2020:

Name of the related parties	Relationship with the Group
Dr. Tan Siu Lin	Controlling shareholder of the Group
Dr. Tan Henry	Controlling shareholder of the Group
Tan Holdings Corporation	Intermediate holding company
Aero Micronesia, Inc.	A fellow subsidiary
Beach Road Tourism Development, Inc.	A fellow subsidiary
D&Q Co. Ltd.	A fellow subsidiary
L&T Group of Companies Ltd.	A fellow subsidiary
L&T (Guam) Corporation	A fellow subsidiary
Pacific Oriental Inc.	A fellow subsidiary
Unity Development Corporation	A fellow subsidiary
Quanzhou Century Tour Investment Co., Ltd. and its subsidiaries	Controlled by close family member of the Controlling shareholder
Century Finance Co., Ltd.	Controlled by the Controlling shareholder
Century Insurance Company (Guam) Ltd.	Controlled by the Controlling shareholder
Century Insurance Co. Ltd.	Controlled by the Controlling shareholder
Cosmos Distributing Co. Ltd.	Controlled by the Controlling shareholder
CTSI Holdings Limited and its subsidiaries (collectively, the "CTSI" Group)	Controlled by the Controlling shareholder
– CTSI FSM	
– CTSI Guam	
– CTSI USA	
– CTSI Saipan	
Integrated Solutions Technology Limited	Controlled by the Controlling shareholder
Luen Thai Enterprises Limited	Controlled by the Controlling shareholder
Luen Thai Fishing Venture Limited	Controlled by the Controlling shareholder
Strategic Gaming Solutions, Inc.	Controlled by the Controlling shareholder
TakeCare Insurance Company Inc.	Controlled by the Controlling shareholder
BlueBay Petroleum (Guam) Inc.	Controlled by the Controlling shareholder
Tan Siu Lin Foundation Limited	Controlled by Dr. Tan Siu Lin
Luen Thai International Development Limited	Controlled by Dr. Tan Siu Lin

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

30 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant transactions with related parties:

Save as disclosed elsewhere in this report, during the years ended December 31, 2021 and 2020, the following significant transactions were carried out with related parties:

	2021 US\$'000	2020 US\$'000
Rental income and expenses recharged Strategic Gaming Solution, Inc.	9	63
Hotel service income Quanzhou Century Tour Investment Co., Ltd. and its subsidiaries	—	624
Freight forwarding and logistics expenses The CTSI Group	1,140	404
Shared-services expenses L&T Group of Companies Ltd. The CTSI Group	192 —	198 6
	192	204
Staff costs charges L&T Group of Companies Ltd.	108	114
Purchase of merchandises D&Q Co. Ltd. Cosmos Distributing Co. Ltd.	39 —	143 71
	39	214
Insurance fee TakeCare Insurance Company Inc.	548	1,282
Rental expenses and expenses charged Beach Road Tourism Development, Inc. L&T Group of Companies Ltd. Luen Thai International Development Limited	179 73 58	266 76 58
	310	400

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

30 RELATED PARTY TRANSACTIONS (Continued)

(c) 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:

	2021 US\$'000	2020 US\$'000
Wage, salaries, bonuses and other allowances and benefits in kind	1,195	1,062
Pension costs — defined contribution plan	7	7
	1,202	1,069

(d) Amounts due from/(to) the related parties

	2021 US\$'000	2020 US\$'000
Non-trade receivables from (Note (i))		
Related parties		
— Denominated in US\$	1	4
Non-trade payables to (Note (i))		
Related parties		
— Denominated in US\$	(116)	(213)
Trade payables to (Note (ii))		
Related parties		
— Denominated in US\$	(50)	(36)

Notes:

- (i) As at December 31, 2021 and 2020, the non-trade receivables/payables balances from/to related parties were unsecured, interest-free and repayable on demand.
- (ii) As at December 31, 2021 and 2020, trade payables balances to related parties were unsecured, interest-free and with credit terms of 30 days and approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

31 FINANCIAL INSTRUMENTS BY CATEGORY

Assets per consolidated statement of financial position:

Financial assets carried at amortized cost

— Trade receivables

— Deposits and other receivables

— Amounts due from related parties

— Cash and cash equivalents

Financial assets carried at fair value

— Finance asset at fair value through other comprehensive income

Liabilities per consolidated statement of financial position:

Financial liabilities at amortized cost

— Trade and other payables

— Bank borrowing

— Amounts due to related parties

— Lease liabilities

	2021 US\$'000	2020 US\$'000
	12,951	15,251
	858	984
	1	4
	8,077	38,164
	21,887	54,403
	—	508
	21,887	54,911
	8,860	5,271
	17,000	—
	116	213
	20,299	19,588
	46,275	25,072

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2021 US\$'000	2020 US\$'000
ASSETS			
Non-current asset			
Property, plant and equipment		18	73
Investments in subsidiaries		51,550	52,929
Deposit		14	14
Financial asset at fair value through other comprehensive income		—	508
		51,582	53,524
Current assets			
Prepayments		76	32
Amounts due from subsidiaries		60,525	16,960
Cash and cash equivalents		621	30,361
		61,222	47,353
Total assets		112,804	100,877
EQUITY			
Equity attributable to owners of the Company			
Share capital		461	461
Share premium	32(b)	38,122	38,122
Capital reserve	32(b)	54,225	54,225
Other reserve	32(b)	—	4
(Accumulated losses)/retained earnings	32(b)	(1,821)	1,070
Total equity		90,987	93,882

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Statement of financial position of the Company (Continued)

	Note	2021 US\$'000	2020 US\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		—	15
Current liabilities			
Accruals		521	1,428
Lease liabilities		15	57
Amounts due to subsidiaries		21,281	5,493
Amount due to a related party		—	2
		21,817	6,980
Total liabilities		21,817	6,995
Total equity and liabilities		112,804	100,877

The statement of financial position of the Company was approved by the Board of Directors on March 29, 2022 and was signed on its behalf.

.....
Dr. Tan Siu Lin
Director

.....
Dr. Tan Henry
Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

32 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium US\$'000	Capital reserve (Note (i)) US\$'000	Other reserve US\$'000	Retained earnings/ (accumulated losses) US\$'000	Total US\$'000
Balance at January 1, 2020	38,122	54,225	3	4,111	96,461
Loss for the year	—	—	—	(2,031)	(2,031)
Other comprehensive income:					
Change in value of debt investment at fair value through other comprehensive income	—	—	1	—	1
Total comprehensive income/(loss)	—	—	1	(2,031)	(2,030)
Transaction with owners in their capacity as owners:					
Dividend declared	—	—	—	(1,010)	(1,010)
Balance at December 31, 2020	38,122	54,225	4	1,070	93,421
Balance at January 1, 2021	38,122	54,225	4	1,070	93,421
Loss for the year	—	—	—	(2,891)	(2,891)
Other comprehensive loss:					
Change in value of debt investment at fair value through other comprehensive income	—	—	(29)	—	(29)
Total comprehensive loss	—	—	(29)	(2,891)	(2,920)
Transfer of fair value loss on debt investment at fair value through other comprehensive income to profits or loss upon disposal	—	—	25	—	25
Balance at December 31, 2021	38,122	54,225	—	(1,821)	90,526

Note:

- (i) Capital reserve of the Company represented the difference between the net assets value of the subsidiaries acquired and the consideration settled by issuance of the shares of the immediate holding company pursuant to a reorganization for the Listing.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

33 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

For the year ended December 31, 2021

Executive director

Dr. Tan Henry (Note (i))	–	200	80	–	–	280
Mr. Chiu George	–	150	–	–	–	150
Mrs. Su Tan Jennifer Sze Tink	–	128	27	–	–	155
Mr. Schweizer Jeffrey William	–	135	5	12	5	157

Non-executive director

Dr. Tan Siu Lin	19	–	–	–	–	19
Mr. Tan Willie	19	–	–	–	–	19

Independent Non-Executive Directors

Mr. Chan Leung Choi Albert	38	–	–	–	–	38
Prof. Chan Pak Woon David	38	–	–	–	–	38
Mr. Ma Andrew Chiu Cheung	38	–	–	–	–	38

152	613	112	12	5	894
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For the year ended December 31, 2020

Executive director

Dr. Tan Henry (Note (i))	–	200	–	–	–	200
Mr. Chiu George	–	150	1	–	–	151
Mrs. Su Tan Jennifer Sze Tink	–	128	–	–	–	128
Mr. Schweizer Jeffrey William	–	139	–	18	5	162

Non-executive director

Dr. Tan Siu Lin	19	–	–	–	–	19
Mr. Tan Willie	19	–	–	–	–	19

Independent Non-Executive Directors

Mr. Chan Leung Choi Albert	38	–	–	–	–	38
Prof. Chan Pak Woon David	38	–	–	–	–	38
Mr. Ma Andrew Chiu Cheung	38	–	–	–	–	38

152	617	1	18	5	793
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Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

33 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' emoluments *(Continued)*

Note:

- (i) Dr. Tan Henry is the Group's chief executive officer.

No director fees were paid to these directors in their capacity as directors of the Company or the subsidiaries and no emoluments were paid by the Company or the subsidiaries to the directors as an inducement to join the Company or the subsidiaries, or as compensation for loss of office during the year ended December 31, 2021 (2020: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received any other retirement benefits or termination benefits during the year ended December 31, 2021 (2020: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended December 31, 2021, no consideration was provided to or receivable by third parties for making available directors' services (2020: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no loans, quasi-loan and other dealing arrangements in favor of directors, controlled bodies corporate by and connected entities with such directors as at December 31, 2021 (2020: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 30(b), there were no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended December 31, 2021 (2020: Nil).

34 DIVIDENDS

The board of directors does not recommend the payment of any dividend for the year ended December 31, 2021 (2020: Nil).

Five Year Financial Summary

	2017	2018	2019	2020	2021
Financial highlights (US\$'000)					
Total assets	73,782	75,887	131,187	123,651	136,828
Total liabilities	23,167	20,762	27,601	31,836	51,157
Bank borrowings	5,000	—	—	—	17,000
Equity attributable to the owners of the Company	49,081	53,516	102,229	91,900	85,944
Working Capital	5,037	12,055	61,497	47,492	(5,290)
Revenue	89,430	100,178	98,699	40,784	19,801
Profit/(loss) attributable to the owners of the Company	12,982	11,694	10,100	(9,320)	(5,952)
Key Ratios					
Current ratio (times)	1.2	1.6	6.1	4.3	0.84
Profit margin attributable to the owners of the Company	14.5%	11.6%	10.2%	-22.9%	-30.1%

Note: The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.