萬達酒店發展有限公司
WANDA HOTEL DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 169)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "Board") of directors (the "Directors") of Wanda Hotel Development Company Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	2019 $'000	2018 $'000 (Restated)
Continuing operations			
Revenue	4	**812,948**	812,320
Cost of sales		**(274,210)**	(167,013)
Gross profit		**538,738**	645,307
Other revenue	5	**13,547**	7,508
Other income/(loss), net	5	**1,262**	(39,556)
Net valuation loss on investment properties		**(787,975)**	(423,327)
Selling expenses		**(33,763)**	(33,899)
Administrative expenses		**(175,587)**	(147,899)
(Loss)/profit from continuing operations		**(443,778)**	8,134
Finance costs	7	**(152,933)**	(99,168)
Loss before tax from continuing operations	6	**(596,711)**	(91,034)
Income tax credit/(expense)	8	**78,643**	(301)
Loss for the year from continuing operations		**(518,068)**	(91,335)
Discontinued operations			
Profit for the year from discontinued operations	10	**129,444**	923,677
(Loss)/profit for the year		**(388,624)**	832,342
Attributable to:			
Owners of the parent	9	**(150,387)**	766,716
Non-controlling interests		**(238,237)**	65,626
		(388,624)	832,342
(Loss)/earnings per share attributable to ordinary equity holders of the parent (HK cents)	9		
Basic and diluted			
— For (loss)/profit for the year		**(3.2)**	16.3
— For (loss)/profit from continuing operations		**(5.3)**	0.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019
(Expressed in Hong Kong dollars)

	Notes	2019 $'000	2018 $'000
(Loss)/profit for the year		**(388,624)**	832,342
Other comprehensive (loss)/income			
Other comprehensive loss item to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(45,892)**	(241,902)
Reclassification adjustments for a foreign operation disposed of during the year	*16*	**(117,909)**	5,130
Other comprehensive loss for the year, net of tax		**(163,801)**	(236,772)
Total comprehensive (loss)/income for the year		**(552,425)**	595,570
Attributable to:			
Owners of the parent		**(298,611)**	612,187
Non-controlling interests		**(253,814)**	(16,617)
		(552,425)	595,570

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2019

(Expressed in Hong Kong dollars)

	Notes	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment		**99,692**	640,214
Freehold land		—	159,119
Investment properties		**1,509,238**	3,345,150
Right-of-use assets	*11(b)*	**289,231**	—
Prepaid land lease payments	*11(a)*	—	16,737
Goodwill		—	3,079
Deferred tax assets		**16,157**	16,459
Total non-current assets		**1,914,318**	4,180,758
Current assets			
Properties under development		—	3,113,666
Completed properties held for sale		—	137,898
Trade and bills receivables	*12*	**220,124**	319,721
Prepayments, other receivables and other assets	*13*	**26,848**	1,775,316
Contract assets		**14,500**	—
Contract incremental costs		—	54,067
Other current assets		—	5,707
Restricted bank deposits		—	5,002
Cash and cash equivalents		**2,421,957**	2,741,296
		2,683,429	8,152,673
Assets classified as held for sale	*10*	**4,995,232**	—
Total current assets		**7,678,661**	8,152,673
Current liabilities			
Trade and other payables	*14*	**729,708**	4,575,797
Contract liabilities		**35,463**	118,218
Receipts in advance		**20,940**	63,974
Loans from financial institutions		—	46,088
Loans from an intermediate holding company		**4,187,582**	1,445,489
Other borrowings		—	12,821
Lease liabilities	*11(c)*	**8,281**	—
Current taxation		**25,022**	185,135
		5,006,996	6,447,522
Liabilities directly associated with the assets classified as held for sale	*10*	**1,459,703**	—
Total current liabilities		**6,466,699**	6,447,522
Net current assets		**1,211,962**	1,705,151
Total assets less current liabilities		**3,126,280**	5,885,909

	Notes	**2019**	2018
		$'000	*$'000*
Non-current liabilities			
Loans from financial institutions		—	1,146,769
Loans from an intermediate holding company		—	678,321
Other borrowings		—	372,771
Contract liabilities		**26,667**	—
Lease liabilities	*11(c)*	**286,908**	—
Deferred tax liabilities		**169,395**	480,657
Total non-current liabilities		**482,970**	2,678,518
NET ASSETS		**2,643,310**	3,207,391
Equity			
Equity attributable to owners of the parent			
Share capital	*15*	**469,735**	469,735
Retained earnings		**205,279**	290,498
Other reserves		**1,246,465**	1,459,857
		1,921,479	2,220,090
Non-controlling interests		**721,831**	987,301
TOTAL EQUITY		**2,643,310**	3,207,391

NOTES

(Expressed in Hong Kong dollars unless otherwise indicated)

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Hong Kong dollars ("$") and all values are rounded to the nearest thousand ("$'000") except when otherwise indicated.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, amendments to HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRS is described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively and the comparative information for 2018 was not restated and continues to be reported under HKAS 17 and related interpretations.

New definition of a lease

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

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office, hotel buildings and warehouses. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) *$'000*
Assets	
Increase in right-of-use assets	27,352
Decrease in prepaid land lease payments	(16,737)
Decrease in prepayments, other receivables and other assets	(98)
Increase in total assets	10,517
Liabilities	
Increase in lease liabilities	10,517
Increase in total liabilities	10,517

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

	$'000
Operating lease commitments as at 31 December 2018	23,469
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(18,172)
Add: Payments for optional extension periods not recognised as at 31 December 2018	5,745
	11,042
Weighted average incremental borrowing rate as at 1 January 2019	4.99%
Lease liabilities as at 1 January 2019	10,517

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

From June 2019 onward, management of the Company ("Management") has been in active discussions with the potential buyers for the disposal of its interest in Parcel C LLC ("Parcel C"), a subsidiary of the Company who hold a property under construction in Chicago, the United States of America ("USA"). As at 31 December 2019, the negotiations for the sale were in progress and Parcel C was classified as a disposal company held for sale and as a discontinued operation.

During the year ended 31 December 2019, the Company has decided to cease the business segment of development and sale of properties. Therefore, the business segment of development and sale of properties was classified as discontinued operation.

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns different from those of the other operating segments. The Group has three reportable operating segments and the corresponding items of segment information for the year ended 31 December 2018 have been restated. Particulars of the Group's reportable operating segments are summarised as follows:

(a) leasing and management of commercial properties held by the Group for long-term investment;

(b) hotel operations and management services; and

(c) hotel design and construction management services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured by adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that non-lease-related finance costs, other income/(loss), net, bank interest income, other interest income from financial assets at fair value through profit or loss as well as corporate and other unallocated expense are excluded from such measurement.

Segment assets exclude goodwill, deferred tax assets, restricted bank deposits, cash and cash equivalents, assets classified as held for sale and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, loans from financial institutions, loans from an intermediate holding company, other borrowings, tax payable, liabilities directly associate with the assets classified as held for sale and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2019

	Investment properties leasing and management *$'000*	Hotel operation and management services *$'000*	Hotel design and construction management services *$'000*	Total *$'000*
Segment revenue:				
Sales to external customers	**149,118**	**471,229**	**192,601**	**812,948**
Intersegment sales	**—**	**—**	**556**	**556**
	149,118	**471,229**	**193,157**	**813,504**
Reconciliation:				
Elimination of intersegment sales				**(556)**
Revenue from continuing operations				**812,948**
Segment profit/(loss)	**(666,196)**	**176,162**	**57,037**	**(432,997)**
Reconciliation:				
Other income, net				**1,262**
Finance costs (other than interest on lease liabilities)				**(143,821)**
Bank interest income				**6,152**
Other interest income from financial assets at fair value through profit or loss				**7,395**
Corporate and other unallocated expense				**(34,702)**
Loss before tax from continuing operations				**(596,711)**
Segment assets	**1,516,057**	**493,613**	**158,791**	**2,168,461**
Reconciliation:				
Assets of a disposal group classified as held for sale				**4,995,232**
Corporate and other unallocated assets				**2,429,286**
Total assets				**9,592,979**
Segment liabilities	**144,653**	**676,385**	**87,710**	**908,748**
Reconciliation:				
Liabilities of a disposal group classified as held for sale				**1,459,703**
Corporate and other unallocated liabilities				**4,581,218**
Total liabilities				**6,949,669**

Other segment information

Year ended 31 December 2019

	Investment properties leasing and management *$'000*	Hotel operation and management services *$'000*	Hotel design and construction management services *$'000*	Total *$'000*
Impairment loss recognised in the statement of profit or loss, net: *(note 5)*				
— Segment assets	—	1,298	26,941	28,239
— Unallocated assets				8,758
				36,997
Depreciation and amortisation *(note 6)*				
— Segment assets	383	17,807	614	18,804
— Unallocated assets				2,751
				21,555
Capital expenditure*				
— Segment assets	13	91,370	266	91,649
— Unallocated assets				66
				91,715

* Capital expenditure consists of additions of property, plant and equipment, investment properties, construction in progress and leasehold improvements.

Year ended 31 December 2018 (Restated)

	Investment properties leasing and management *$'000*	Hotel operation and management services *$'000*	Hotel design and construction management services *$'000*	Total *$'000*
Segment revenue:				
Sales to external customers	168,736	429,181	214,403	812,320
Segment profit/(loss)	(293,873)	236,810	116,680	59,617
Reconciliation:				
Other loss, net				(39,556)
Finance costs				(99,168)
Bank interest income				3,367
Other interest income from financial assets at fair value through profit or loss				4,141
Corporate and other unallocated expense				(19,435)
Loss before tax from continuing operations				(91,034)
Segment assets	3,363,487	829,078	267,522	4,460,087
Reconciliation:				
Assets of the segment of sales of properties which were classified as a discontinued operation				3,361,148
Corporate and other unallocated assets				4,512,196
Total assets				12,333,431
Segment liabilities	66,044	264,819	82,470	413,333
Reconciliation:				
Liabilities of the segment of sales of properties which were classified as a discontinued operation				1,238,634
Corporate and other unallocated liabilities				7,474,073
Total liabilities				9,126,040

Other segment information

Year ended 31 December 2018 (Restated)

	Investment properties leasing and management $'000	Hotel operation and management services $'000	Hotel design and construction management services $'000	Total $'000
Impairment loss recognised in the statement of profit or loss, net: *(note 5)*				
— Segment assets	16	162	31	209
— Unallocated assets				—
				209
Depreciation and amortisation *(note 6)*				
— Segment assets	969	1,055	1,183	3,207
— Unallocated assets				586
				3,793
Capital expenditure*				
— Segment assets	20,279	491	919	21,689
— Unallocated assets				12
				21,701

* Capital expenditure consists of additions of property, plant and equipment, investment properties and leasehold improvements.

Geographical information

The following table sets out information about the geographical locations of (i) the Group's revenue of continuing operations from external customers and (ii) the Group's non-current assets of continuing operations (excluding deferred tax assets) ("specified non-current assets"). The geographical location of revenue from external customers is based on the locations at which the services were provided or the properties were sold or leased. The geographical location of the specified non-current assets is based on the physical locations of the assets, in the case of fixed assets, and the locations of the operations to which they are allocated, in the case of goodwill.

	Reportable segment revenue from external customers		**Specified non-current assets**	
	2019	2018	**2019**	2018
	$'000	*$'000* (Restated)	***$'000***	*$'000*
The PRC (including Hong Kong)	**809,663**	809,801	**1,898,161**	3,382,696
Overseas	**3,285**	2,519	**—**	781,603
	812,948	812,320	**1,898,161**	4,164,299

Information about major customers

During the year, the Group made sales to certain groups of major customers, which are known to be under common control, the revenue from which individually contributed to more than 10% of the Group's total revenue. The analysis is as follows:

	2019 *$'000*	2018 *$'000* (Restated)
Customer A	**305,160**	317,528
Customer B	**150,064**	192,079
Customer C	**94,182**	89,949
Others	**263,542**	212,764
	812,948	812,320

4 REVENUE

An analysis of revenue is as follows:

	2019 *$'000*	2018 *$'000* (Restated)
Revenue from contracts with customers		
Hotel management services	**460,344**	429,181
Hotel design and construction management services	**192,601**	214,403
Hotel operation income	**10,885**	—
	663,830	643,584
Revenue from other sources		
Gross rental income from investment properties:		
Variable rent	**4,719**	4,902
Base rent	**144,399**	163,834
	149,118	168,736
	812,948	812,320

Disaggregated revenue information for revenue from contracts with customers

	2019	2018
	$'000	*$'000*
		(Restated)
Recognised at a point in time		
Hotel operation income	**4,919**	—
Recognised over time		
Hotel operation income	**5,966**	–
Hotel management services	**460,344**	429,181
Hotel design and construction management services	**192,601**	214,403
Revenue from contracts with customers	**663,830**	643,584

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Hotel management services, hotel design and construction management services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the date of billing.

Hotel operation income

The performance obligation is satisfied as services are rendered or goods are delivered and payment is generally received in advance.

Loyalty programme managements services

The performance obligation is satisfied as members' points are used or expired, and the payment from hotels who participated in the loyalty program is received in advance.

Except for the performance obligation in relation with hotel design and construction management services, all of the performance obligations are expected to be recognised within one year.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of hotel design and construction management services as at 31 December are as follows:

	2019	2018
	$'000	*$'000*
Amounts expected to be recognised as revenue:		
Within one year	**154,225**	145,200
After one year	**137,061**	339,407
	291,286	484,607

5 OTHER REVENUE AND OTHER INCOME/(LOSS), NET

An analysis of the Group's other revenue and other income/(loss), net from continuing operations is as follows:

	2019	2018
	$'000	*$'000*
		(Restated)
Other revenue		
Bank interest income	**6,152**	3,367
Other interest income from financial assets at fair value through profit or loss	**7,395**	4,141
	13,547	7,508
Other income/(loss), net		
Exchange gain/(loss)	**3,805**	(44,791)
(Impairment)/reversal of impairment of financial and contract assets, net		
Impairment of trade receivables	**(27,292)**	(231)
(Impairment)/reversal of impairment of other receivables	**(9,651)**	22
Impairment of contract assets	**(54)**	—
Other income from a lessee due to breach of a contract	**33,190**	—
Others	**1,264**	5,444
	1,262	(39,556)

6 LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	**2019** **$'000**	2018 *$'000* (Restated)
Cost of goods sold		**9,819**	—
Cost of services provided		**244,950**	148,173
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**19,441**	18,840
		274,210	167,013
Depreciation of property, plant and equipment		**4,083**	3,312
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)		**17,472**	481
Minimum lease payments under operating leases for land and buildings		**—**	6,076
Lease payments not included in the measurement of lease liabilities	*11(d)*	**7,094**	—
Decrease in fair value of investment properties		**787,975**	423,327
Loss on disposal of items of property, plant and equipment		**—**	250
Auditor's remuneration			
— Annual audit services		**1,061**	1,110
— Non-audit services		**900**	3,220
Employee benefit expense (excluding directors' remuneration)			
— Salaries, wages and other benefits		**105,645**	97,746
— Contributions to defined contribution retirement plans		**3,993**	3,845
		109,638	101,591

7 FINANCE COSTS

An analysis of the Group's finance costs from continuing operations is as follows:

	2019	2018
	$'000	*$'000*
		(Restated)
Interest on loans from financial institutions	**10,779**	20,276
Interest on loans from an intermediate holding company	**133,042**	78,892
Interest on leases liabilities	**9,112**	—
	152,933	99,168

8 INCOME TAX

	2019	2018
	$'000	*$'000*
		(Restated)
Current tax		
Corporate Income Tax *(note (iii))*		
— Charge for the year	**84,464**	93,111
— Underprovision/(overprovision) in prior years	**269**	(565)
	84,733	92,546
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties	**(153,639)**	(92,616)
— Effect of adoption HKFRS 16	**(989)**	—
— Others	**(8,748)**	371
	(163,376)	(92,245)
Total tax (credit)/expense for the year from continuing operations	**(78,643)**	301
Total tax expense for the year from discontinued operations	**36,737**	13,803
Total income tax (credit)/expense for the year	**(41,906)**	14,104

Notes:

(i) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in Bermuda and the BVI.

(ii) No provision for Hong Kong profits tax or overseas corporate tax has been made in the consolidated financial statements as the Group did not have assessable profits in Hong Kong or overseas for the year (2018: Nil, except withholding tax in relation to the capital gains on the disposal of the entire equity interest in Wanda Australia Commercial Properties Pty. Ltd. ("Wanda Australia CP")).

(iii) Corporate Income Tax ("CIT")

The provision for the PRC CIT has been made at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China (2018: 25%), except for the subsidiary of the Company established in Horgos, Xinjiang Uygur Autonomous region, which enjoys PRC corporate income tax exemptions in accordance with the relevant tax rules. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the countries in which the Group operates.

9 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,697,347,000 (2018: 4,697,347,000) in issue during the year.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2019	2018
	$'000	*$'000*
		(Restated)
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculation:		
From continuing operations	**(248,092)**	15,818
From discontinued operations *(note 10)*	**97,705**	750,898
	(150,387)	766,716

	Number of shares	
	2019	2018
	’000	*’000*
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculations *(note 15)*	**4,697,347**	4,697,347

(b) Diluted loss per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2019 (2018: Nil).

10 DISCONTINUED OPERATION

During the year ended 31 December 2019

— the Management has been in active discussions with potential buyers for the disposal of the Company’s interest in Parcel C, a subsidiary of the Company which holds a property under construction in Chicago, USA. The Group will have no geographical business segment in USA once the disposal is completed. As at 31 December 2019, the negotiations for the sale were in progress and Parcel C was classified as a disposal company held for sale and as a discontinued operation.

— the Company has decided to cease the business of development and sale of properties. Therefore, the segment of the development and sale of properties was classified as a discontinued operation.

During the year ended December 2018

On 16 January 2018, the Company, as vendor, and R&F Properties (HK) Company Limited (“R&F”), as the purchaser, entered into a sale and purchase agreement in respect of the disposal of 60% of the entire issued share capital of Wanda International Real Estate Investment Co. Ltd. (“Wanda International”), at a consideration of GBP35,609,277.96. The disposal of Wanda International was completed on 6 July 2018.

On 18 January 2018, Wanda Australia Real Estate Investment Co., Limited (“Wanda Australia RE”), AWH Investment Group Pty Ltd (“AWH”) and Wanda Australia CP entered into a master agreement in respect of the proposed disposal of the entire equity interest in Wanda Australia CP subject to the terms contained therein, at the consideration of AUD315,044,422 and repayment of the debt in the amount of AUD815,107,691 in instalments. The disposal of Wanda Australia CP was completed on 18 May 2018.

Wanda International and its subsidiaries (“Wanda International Group”) and Wanda Australia CP and its subsidiaries (“Wanda Australia CP Group”) were classified as discontinued operations for the year ended 31 December 2018.

(i) **Parcel C:**

(a) The results for the year are presented below:

	2019	2018
	$'000	*$'000*
Other revenue	**103**	477
Other income, net	**5.952**	2,381
Selling expenses	**(27,688)**	(31,417)
Administrative expenses	**(133)**	(214)
Finance costs	**(140)**	—
Loss before tax from the discontinued operation	**(21,906)**	(28,773)
Income tax expense	**—**	—
Loss for the year from the discontinued operation	**(21,906)**	(28,773)

(b) The major classes of assets and liabilities of Parcel C classified as held for sale as at 31 December 2019 are as follows:

	2019
	$'000
Property, plant and equipment	**2,985**
Construction in progress	**864,108**
Freehold land	**158,203**
Right-of-use assets	**1,369**
Properties under development	**3,878,764**
Contract incremental costs	**57,880**
Restricted bank deposits	**3,434**
Cash and cash equivalents	**28,489**
Assets classified as held for sale	**4,995,232**
Trade and other payables	**(484,822)**
Lease liabilities	**(1,406)**
Loan from a financial institution	**(973,475)**
Liabilities directly associated with the assets classified as held for sale	**(1,459,703)**
Net assets directly associated with Parcel C	**3,535,529**
Exchange reserve on translation of foreign operations	**(4,202)**

(c) The net cash flows incurred by Parcel C are as follows:

	2019 *$'000*	2018 *$'000*
Operating activities	**(807,388)**	(665,502)
Investing activities	**(260,368)**	(79,923)
Financing activities	**1,026,062**	(154,861)
Effect of foreign exchange rate changes	**(241)**	1,839
Net cash flow	**(41,935)**	(898,447)

(d) Certain assets of Parcel C were pledged to secure the loan from a financial institution and bank facilities as follows:

	2019 *$'000*
Construction in progress	**864,108**
Freehold land	**158,203**
Properties under development	**3,878,764**
	4,901,075

The loan from a financial institution as at 31 December 2019 were guaranteed by an intermediate holding company, Dalian Wanda Commercial Management Group Co., Ltd.

(ii) Ceased business of development and sale of properties:

(a) The results for the year are presented below:

	2019 *$'000*	2018 *$'000*
Revenue	**178,332**	207,471
Cost of sales	**(130,670)**	(135,015)
Other revenue	**19,928**	19,283
Other income, net	**48,737**	9,649
Selling expenses	**(11,235)**	(14,323)
Administrative expenses	**(16,447)**	(20,549)
Finance cost	**(37,351)**	(31,100)
Gain on disposal of subsidiaries *(note 16)*	**136,793**	—
Profit before tax from the discontinued operation	**188,087**	35,416
Income tax (expense)/credit	**(36,737)**	18,154
Profit for the year from the discontinued operation	**151,350**	53,570

(b) The net cash flows incurred by the ceased business of development and sale of properties are as follows:

	2019	2018
	$'000	*$'000*
Operating activities	**(190,899)**	250,661
Investing activities	**7,268**	5,535
Financing activities	**124,503**	(101,292)
Effect of foreign exchange rate changes	**597**	(9,102)
Net cash flow	**(58,531)**	145,802

(iii) Wanda International Group

(a) The results for the period up to the date of disposal are presented below:

	2018
	$'000
Other loss, net	(4,256)
Selling expenses	(2,425)
Gain on disposal of subsidiaries	442,419
Administrative expenses	(14,314)
Finance costs	(8,532)
Profit before tax from the discontinued operation	412,892
Income tax expense	—
Profit for the year from the discontinued operation	412,892

(b) The net cash flows incurred by Wanda International Group up to the date of disposal are as follows:

	2018
	$'000
Operating activities	(348,704)
Investing activities	(68,409)
Financing activities	127,761
Effect of foreign exchange rate changes	34,302
Net cash flow	(255,050)

(iv) Wanda Australia CP Group

(a) The results for the period up to the date of disposal are presented below:

	2018
	$'000
Other revenue	59,435
Selling expenses	(5,335)
Administrative expenses	(3,106)
Finance costs	(6,326)
Gain on disposal of subsidiaries	473,277
Profit before tax from the discontinued operation	517,945
Income tax expense	(31,957)
Profit for the year from the discontinued operation	485,988

(b) The net cash flows incurred by Wanda Australia CP Group up to the date of disposal are as follows:

	2018
	$'000
Operating activities	(434,740)
Investing activities	(9,252)
Financing activities	401,702
Effect of foreign exchange rate changes	1,656
Net cash flow	(40,634)

(v) Earnings/(loss) per share (HK cents)

	2019	2018
Basic and diluted, from discontinued operations	**2.1**	16.0

The calculations of basic and diluted earnings per share from discontinued operations are based on:

	2019	2018
	$'000	*$'000*
Profit attributable to ordinary equity holders of the parent from the discontinued operation *(note 9)*	**97,705**	750,898

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation *(note 15)*	**4,697,347**	4,697,347

11 LEASES

The Group as a lessee

The Group has lease contracts for various items of office, hotel buildings, warehouses and leased land used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of more than 40 years, and no ongoing payments will be made under the terms of the land lease. Leases of office generally have lease terms between 2 and 6 years, and leases of hotel buildings generally have lease terms between 15 and 20 years, while warehouses generally have lease terms between 1 and 2 years .

(a) Prepaid land lease payments (before 1 January 2019)

	$'000
Carrying amount at 1 January 2018	18,036
Recognised in profit or loss during the year *(note 6)*	(481)
Exchange realignment	(818)
Carrying amount at 31 December 2018	16,737

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office	Hotel buildings	Warehouses	Prepaid land lease payments	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
As at 1 January 2019	10,240	—	375	16,737	27,352
Additions	40,290	259,301	—	—	299,591
Depreciation charge	(12,237)	(7,852)	(215)	(463)	(20,767)
Disposal of subsidiaries *(note 16)*	—	—	—	(15,888)	(15,888)
Transfer to assets classified as held for sale	(1,369)	—	—	—	(1,369)
Exchange realignment	639	87	(28)	(386)	312
As at 31 December 2019	37,563	251,536	132	—	289,231

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019
	$'000
Carrying amount at 1 January 2019	**10,517**
New leases	**299,591**
Accretion of interest recognised during the year *(note 7)*	**9,112**
Payments	**(23,398)**
Transfer to liabilities directly associated with the assets classified as held for sale	**(1,406)**
Exchange realignment	**773**
Carrying amount at 31 December 2019	**295,189**
Analysed into:	
Current portion	**8,281**
Non-current portion	**286,908**
	295,189

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	$'000
Interest on lease liabilities *(note 7)*	**9,112**
Depreciation charge of right-of-use assets	**20,767**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales) *(note 6)*	**6,984**
Expense relating to leases of low-value assets (included in administrative expenses) *(note 6)*	**110**
Total amount recognised in profit or loss	**36,973**

The Group as a lessor

The Group leases its investment properties consisting of two commercial properties in Guilin and Fuzhou under operating lease arrangements, while the commercial properties in Fuzhou was disposed of on 27 December 2019 upon the completion of the disposal of Amazing Wise Limited ("Amazing Wise") and its subsidiaries. Further details of the disposal are disclosed in note 16. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was $149,118,000 (2018: $168,736,000), details of which are included in note 4 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019	2018
	$'000	*$'000*
Within one year	**85,945**	153,341
After one year but within two years	**57,138**	115,559
After two years but within three years	**37,016**	88,202
After three years but within four years	**32,371**	79,886
After four years but within five years	**26,428**	76,312
After five years	**133,549**	254,179
	372,447	767,479

12 TRADE AND BILLS RECEIVABLES

	2019	2018
	$'000	*$'000*
Trade receivables	**231,696**	321,316
Impairment	**(28,493)**	(1,595)
	203,203	319,721
Bills receivables	**16,921**	—
	220,124	319,721

Receivables form leasing properties are normally settled on an advance receipt basis, where the lessees are required to pay in advance for several months' rental payment and pay a security deposit as well. However, in the case of long-standing customers with good repayment history, the Group may offer these customers credit terms.

For the business of hotel operations, receivables are normally settled in advance. However, the Group may offer credit terms to certain corporate clients.

For the business of hotel management services, hotel design and construction management services, the Group's trading terms with its customers are mainly on credit. The Group has set out policies to ensure that follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate provision for impairment losses are made for irrecoverable amounts. The Group does not hold any collateral or other credit enhancements over such trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	$'000	*$'000*
Within 3 months	**73,183**	92,614
Over 3 months but within 6 months	**31,669**	48,168
Over 6 months but within 12 months	**47,351**	105,954
Over 12 months	**51,000**	72,985
	203,203	319,721

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	$'000	*$'000*
At beginning of year	**1,595**	1,467
Impairment during the year, net		
– continuing operations	**27,292**	231
– discontinued operations	**(6)**	—
Exchange difference	**(388)**	(103)
At 31 December	**28,493**	1,595

The increase in the loss allowance was due to certain outstanding contractual amounts which were considered in default and the Group is unlikely to receive such outstanding contractual amounts in full.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 12 months***	**Total**
Expected credit loss rate	**0.292%**	**0.846%**	**1.032%**	**2.125%**	**9.361%**	**1.373%**
Gross carrying amount ($'000)	**86,290**	**32,615**	**21,803**	**55,806**	**35,182**	**231,696**
Expected credit losses ($'000)	**251**	**276**	**225**	**1,186**	**26,555***	**28,493**

* Within the gross carrying amount over 12 months, $9,518,000 of which was applied on the expected credit loss rate of 9.361%, and such rate was established based on historical credit loss experience of over 12 months, adjusted for forward-looking factors specific to the economic environment, and accordingly $891,000 of expected credit losses was provided, and $25,664,000 was considered to be unlikely for the Group to receive the outstanding contractual amounts and was fully impaired.

As at 31 December 2018

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.018%	0.075%	0.088%	0.267%	10.458%	0.496%
Gross carrying amount ($'000)	92,631	48,204	54,586	114,535	11,360	321,316
Expected credit losses ($'000)	17	36	48	306	1,188	1,595

13 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2019	2018
		$'000	*$'000*
Prepayments		**5,810**	5,763
Deposits and other receivables	*b*	**25,859**	1,767,851
Amounts due from related parties		**1,004**	10
Amounts due from an intermediate holding company		**10,712**	2,045
		43,385	1,775,669
Impairment allowance	*a*	**(16,537)**	(353)
		26,848	1,775,316

The amounts due from related parties and an intermediate holding company are unsecured, interest-free and repayable on demand.

(a) The movements in provision for impairment of other receivables during the year are as follows:

	2019	2018
	$'000	*$'000*
At 1 January	**353**	139
Impairment during the year recognised/(reversed) in profit or loss, net		
– continuing operations	**9,651**	(22)
– discontinued operations	**6,659**	233
Exchange differences	**(126)**	3
At 31 December	**16,537**	353

The above provision for impairment of other receivables is a provision for individually impaired other receivables.

(b) The decrease in deposits and other receivables was due to:

(i) the proceeds receivables in relation with the loan repayment by R&F to the Company, amounting to GBP84,000,000 (equivalent to approximately HK$831,774,000) in 2018, of which GBP60,000,000 (equivalent to approximately HK$590,382,000) was received during the year. The remaining balance of GBP24,000,000 (equivalent to approximately HK$241,392,000) has been assigned to Wanda Commercial Properties (Hong Kong) Co. Ltd ("Wanda HK") on 17 December 2019.

(ii) proceeds receivables in relation with the loan repayment by AWH to the Group, amounting to AUD130,000,000 (equivalent to approximately HK$715,871,000) in 2018, of which AUD25,000,000 (equivalent to approximately HK$159,098,000) was received during the year. The remaining balance of AUD105,000,000 (equivalent to approximately HK$556,773,000) has been assigned to Wanda HK on 17 December 2019.

(iii) the deposit made to Australian Taxation Office in relation to the disposal of interest in Wanda Australia RE, amounting to $187,183,000 in 2018, of which the balance was refunded during the year.

(c) Other than the aforementioned impaired other receivables, the financial assets included in the above balances relate to the receivables for which there was no recent history of default and past due amounts.

14 TRADE AND OTHER PAYABLES

An analysis of trade payables and other payables as at the end of the reporting period is as follows:

		2019	2018
	Notes	***$'000***	*$'000*
Trade payables	*a*	**84,874**	630,190
Other payables		**215,365**	193,111
Accruals		**—**	1,072
Interest payable on other borrowings		**—**	126,667
Interest payable to an intermediate holding company	*b*	**129,523**	11,442
Interest payable to financial institutions		**—**	1,795
Amounts due to intermediate holding companies	*c*	**94,852**	2,954,320
Amounts due to related parties	*c*	**205,094**	657,200
		729,708	4,575,797

Notes:

a. None of the Group's trade payables are expected to be settled after more than one year (2018: Nil).

The ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	$'000	*$'000*
Within 3 months	**3,404**	481,347
Over 3 months but within 6 months	**2,265**	41
Over 6 months but within 12 months	**143**	12
Over 12 months	**79,062**	148,790
	84,874	630,190

b. The amount of $129,523,000 in interest payable to an intermediate holding company is repayable within one year (2018: $11,442,000). The interest payables are unsecured and not subject to compound interests.

c. The amounts due to intermediate holding companies and related parties are repayable on demand or within one year and all these balances are unsecured and interest-free.

15 SHARE CAPITAL AND DIVIDEND

(i) Share capital

	2019		2018	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Issued and fully paid:				
4,697,346,488 (2018: 4,697,346,488) ordinary shares	**4,697,347**	469,735	4,697,347	469,735

(ii) Dividend

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

16 DISPOSAL OF SUBSIDIARIES

On 27 December 2019, the Group completed the disposal of its remaining 53% equity interest in Amazing Wise which indirectly holds 100% interest in Hengli City, to Zhizun Holdings Limited for a cash consideration of HK$2 million (the "Disposal"). Further details of the Disposal have been set out in the Company's announcements dated 13 December 2019, 27 December 2019 and 25 March 2020.

The net assets of Amazing Wise and its subsidiaries at the date of disposal were as follows:

	$'000
Net assets disposed of:	
Property, plant and equipment	4,932
Investment properties	980,936
Right-of-use assets	15,888
Completed properties held for sale	18,345
Trade receivables	7,679
Prepayments and other receivables	184,679
Other current assets	3,344
Restricted bank deposits	4,165
Cash and cash equivalents	10,104
Receipts in advance	(18,926)
Other borrowings	(394,793)
Trade and other payables	(210,647)
Current taxation	(159,277)
Loans from financial institutions	(333,852)
Deferred tax liabilities	(141,704)
Non-controlling interests	11,656
	(17,471)
Exchange fluctuation reserve	(117,909)
	(135,380)
Transaction expenses	587
Gain on disposal of subsidiaries	136,793
	2,000
Satisfied by:	
Cash	2,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2019 *$'000*
Cash consideration	2,000
Cash and bank balances disposed of	(10,104)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(8,104)

17 EVENTS AFTER THE REPORTING PERIOD

Other than the matters outlined elsewhere in this announcement, there is no event after the reporting period which should be disclosed.

18 COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Wanda Hotel Management (HK) Co., Ltd. ("Wanda Hotel Management")

Wanda Hotel Management is a leading hotel services provider in China and is principally engaged in the business of hotel operations and management services, hotel design and construction management services and related consultancy and other ancillary business, with comprehensive capabilities in hotel operations and management services. Wanda Hotel Management currently manages hotels under the following brands:—

Hotel Brand	Brand Positioning
Wanda Reign	• An ultra-luxury hotel brand for luminaries and the social elites that delivers supremely personalized services and transcends every expectation.
Wanda Vista	• A luxury hotel brand for distinguished guests who relish extraordinary services in Oriental elegance that seamlessly blends with local culture.
Wanda Realm	• A premium hotel brand built upon quality service from superb international standards for business and leisure travelers.
Wanda Jin	• A premium and select service hotel brand built upon boutique design and quality service offering a balanced life experience for business and leisure travelers.
Wanda Moments	• A high-end midscale hotel brand dedicating to quality design and select services for the ultimate comfort of business travelers.

As at 31 December 2019, Wanda Hotel Management managed a total of 82 hotels in operation as set out in below table:—

	Hotels In Operation Under Management			
	Number of Hotel			Room
	Wanda	Third Party Clients	Total	Number *('000)*
Wanda Reign	3	0	3	0.8
Wanda Vista	1	23	24	6.5
Wanda Jin	1	47	48	13.9
Wanda Realm	0	2	2	0.4
Wanda Moments	2	1	3	0.7
Others	1	1	2	0.3
Grand Total	8	74	82	22.6

Besides the above operating hotels, as at 31 December 2019, Wanda Hotel Management also contracted to manage 69 hotels which have not yet commenced operation and were under construction.

Joint Venture Platform in the Americas and Chicago Project, the United States of America

In July 2014, the Company formed a joint venture with Wanda HK to establish a joint venture platform in the Americas with a total capital commitment of HK$10 billion, in which the Company holds 60% and Wanda HK holds 40%, for the joint acquisition and development of suitable real property projects in the Americas.

On the same day, through Wanda Chicago Real Estate LLC ("Wanda Chicago"), a wholly owned subsidiary of this joint venture platform, the Company and Wanda HK entered into (i) the formation and contribution agreement with Magellan Parcel C/D LLC ("Magellan") and Lakeshore East LLC; and (ii) the operating agreement with Magellan to jointly develop a project in Chicago ("Chicago Project") in which Wanda Chicago holds 90% and Magellan holds 10% of such joint venture.

The planned total gross floor area of the Chicago Project is approximately 176,000 sq.m.. It is located in the heart of Chicago, adjacent to Millennium Park and the Chicago CBD. Many of the well-known destinations are within walking distance of the project, such as the Theatre District, Museum Campus and Michigan Avenue, and hence in excellent geographic location. The project is expected to be developed into a 361-meter, 101-storey five-star hotel (with estimated over 200 rooms) and high-end condominiums, which will be Chicago's third highest building upon completion and a new landmark in Chicago. Pre-sale of high-end condominiums portion commenced in September 2015. The Chicago Project obtained planning approvals and completed settlement in April 2016. Construction work commenced in August 2016 and is progressed as planned. The development of the Chicago Project is expected to be completed by the end of 2020.

Guilin Project, the People's Republic of China ("PRC")

In February 2014, the Company acquired a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous Region, the PRC with Wanda HK in the form of a joint venture, in which the Company holds 51% and Wanda HK holds 49%. The project ("Guilin Project") is located in the central area of Guilin High-tech Zone, with planned total gross floor area of approximately 330,000 sq.m., including 153,000 sq.m. of shopping mall and 177,000 sq.m. of retail, residential and other properties for sale.

The construction work of the Guilin Project has completed and the shopping mall opened in September 2015. With satisfactory commercial leases and operating conditions, the shopping mall has become a supreme landmark business centre in Guilin.

Hengli City, Fuzhou, the PRC

The total gross floor area of Hengli City is approximately 242,000 sq.m.. The project is a residential, office and retail complex located in Fuzhou, the PRC. On 13 December 2019, the Company as vendor and Zhizun Holdings Limited as purchaser entered into a sale and purchase agreement in respect of the disposal of the 53% of the issued share capital of Amazing Wise, the holding company of Hengli City, for a total consideration of HK$2,000,000. The disposal was completed on 27 December 2019 and as from completion date, the Company no longer has any interest in the Hengli City project.

FINANCIAL REVIEW

Since June 2019, the Company has been in active discussions with the potential buyers for the disposal of the Company's interest in Parcel C, a non-wholly owned subsidiary of the Company holding Chicago Project. As at 31 December 2019, the negotiations for the sale were in progress and Parcel C was hence classified as a disposal company held for sale and as a discontinued operation.

During the year ended 31 December 2019, the Company has decided to cease its business of development and sale of properties. Therefore, the segment of development and sale of properties was also classified as discontinued operation and the comparative figures for the year ended 31 December 2018 have been restated to reflect the above change.

The Group has identified three business segments to better reflect its current operating businesses as below:—

1. Leasing and management of commercial properties held by the Group for long-term investment;

2. Hotel operations and management services; and

3. Hotel design and construction management services.

Revenue

The Group reported revenue (from continuing operations) of approximately HK$812.9 million in 2019 (2018 restated: HK$812.3 million) and can be analyzed as below:—

	2019	2018	Changes	
	HK$'000	*HK$'000* (restated)	*HK$'000*	*%*
Investment properties leasing and management	**149,118**	168,736	(19,618)	(11.6)
Hotel operations and management services	**471,229**	429,181	42,048	9.8
Hotel design and construction management services	**192,601**	214,403	(21,802)	(10.2)
Total	**812,948**	812,320	628	0.1

Investment properties leasing and management segment revenue decreased by approximately 11.6% to HK$149.1 million mainly because the rental income received from Hengli City during the year ended 31 December 2019 dropped.

Revenue from hotel operations and management services for the year ended 31 December 2019 amounted to approximately HK$471.2 million, representing an increase of approximately 9.8% as compared to approximately HK$429.2 million for the year ended 31 December 2018. Such increase was mainly driven by an increase in the number of hotels under management and newly opened hotels during 2019.

Revenue from hotel design and construction management services for the year ended 31 December 2019 amounted to approximately HK$192.6 million, representing a decrease of approximately 10.2% as compared to approximately HK$214.4 million for the year ended 31 December 2018. Such decrease was mainly due to having several projects that progressed faster than expected or completed in 2018, resulting in less fee income received in 2019 than originally planned.

Segment results

The following table illustrates the segment results of the Group for the year ended 31 December 2019 and 2018 (restated) respectively:—

	2019	2018	Changes	
	HK$'000	*HK$'000*	*HK$'000*	*%*
		(restated)		
Investment properties leasing and management	**(666,196)**	(293,873)	(372,323)	126.7
Hotel operations and management services	**176,162**	236,810	(60,648)	(25.6)
Hotel design and construction management services	**57,037**	116,680	(59,643)	(51.1)
Total	**(432,997)**	59,617	(492,614)	(826.3)

The measure used for reporting segment results is profit/(loss) before tax.

Investment properties leasing and management segment loss increased by about 126.7% to approximately HK$666.2 million for the year ended 31 December 2019, as compared to HK$293.9 million for the year ended 31 December 2018. Such significant increase in loss was principally attributable to a net valuation loss of investment properties in Hengli City of approximately HK$788.6 million provided during the year ended 31 December 2019, as compared to approximately HK$430.8 million provided during 2018.

Hotel operations and management services segment profit decreased by about 25.6% to approximately HK$176.2 million for the year ended 31 December 2019, as compared to HK$236.8 million for the year ended 31 December 2018. Such decrease in profit was due to higher staff costs resulting from increase in headcount for development of midscale business during the year ended 31 December 2019.

Hotel design and construction management services segment profit halved to approximately HK$57 million for the year ended 31 December 2019, as compared to HK$116.7 million for the year ended 31 December 2018. Such decrease in profit was due to higher staff costs resulting from increase in headcount during the year ended 31 December 2019.

(Loss)/profit attributable to equity holders of the Company

During the year, the Group's loss attributable to the equity holders of the Company amounted to approximately HK$150.4 million (2018: profit of HK$766.7 million) with the breakdown set out as below:—

	2019	2018	Changes
	$'000	*$'000*	*$'000*
		(Restated)	
(Loss)/profit attributable to the equity holders of the Company:			
— From continuing operations	**(248,092)**	15,818	(263,910)
— From discontinued operations	**97,705**	750,898	(653,193)
Total	**(150,387)**	766,716	(917,103)

The increase in loss attributable to the equity holders was mainly driven by: i) significant decrease of disposal gain of approximately HK$778.9 million, due to approximately HK$136.8 million disposal gain from Hengli City for the year ended 31 December 2019, as compared to approximately HK$915.7 million gain from disposal of the Australia and London projects for the year ended 31 December 2018 (for details of the disposal of the London and Australia projects, please refer to the announcements of the Company dated 16 January 2018 and 29 January 2018 and circulars of the Company dated 15 March 2018 and 22 February 2018 respectively); ii) significant increase in net valuation loss of investment properties in Hengli City by approximately HK$357.8 million as abovementioned; offset by iii) an increase in other net gains of approximately HK$40.8 million, primarily resulting from compensation of HK$33.2 million for early lease termination received from the tenant in Hengli City; and iv) reversal of deferred tax previously provided for the revaluation of properties in Hengli City of approximately HK$153.6 million.

Deposits and other receivables

As at 31 December 2019, the Group had deposits and other receivables of approximately HK$25.9 million (2018: approximately HK$1,767.9 million). The decrease in deposits and other receivables was mainly due to (i) receipts of the proceeds receivables from the disposal of the London and Australia Projects during the year, amounting to GBP60,000,000 (equivalent to approximately HK$590,382,000) and AUD25,000,000 (equivalent to approximately HK$159,098,000); (ii) assignment of receivables, amounting to a total of approximately HK$798.2 million, from the disposal of London and Australia Projects to Wanda HK, as announced by the Company on 18 October 2019 and was completed on 17 December 2019; and (iii) the refund of a deposit made in 2018 to the Australian Taxation Office in relation to the disposal of interest in Wanda Australia RE, amounting to approximately HK$187.2 million during the year.

Investment properties

As at 31 December 2019, the Group had investment properties of approximately HK$1,509.2 million (2018: approximately HK$3,345.2 million). The decrease in the amount of investment properties was mainly due to (i) a net valuation loss of investment properties in Hengli City of approximately HK$788.6 million; and (ii) the disposal of investment properties of approximately HK$980.9 million from Hengli City during the year.

Net assets and equity attributable to equity holders

As at 31 December 2019, the Group recorded total assets and total liabilities of approximately HK$9,593 million and HK$6,949.7 million respectively. The Group had net assets of approximately HK$2,643.3 million as at 31 December 2019 as compared to approximately HK$3,207.4 million as at 31 December 2018. As at 31 December 2019, the equity attributable to equity holders of the Company was approximately HK$1,921.5 million as compared to HK$2,220.1 million as at 31 December 2018.

Liquidity, borrowing and financial resources

The Group had total cash and bank balances of approximately HK$2,453.9 million as at 31 December 2019 as compared with HK$2,746.3 million as at 31 December 2018. The decrease was mainly due to repayment of other payables and loans from an intermediate holding company. About 86%, 11%, 2% and 1% of the cash and bank balances were denominated in Renminbi ("RMB"), Australia Dollar ("AUD"), United States Dollar ("USD") and Hong Kong Dollar. As at 31 December 2019, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 1.19 as compared with 1.26 as at 31 December 2018.

The following table sets out the debt and borrowings of the Group with its maturity profile:

	31 December 2019	31 December 2018
	$'000	*$'000*
Debts and borrowings		
Interest bearing:		
— Loans from financial institutions	**—**	1,192,857
— Loans from financial institutions classified as held for sale	**973,475**	—
— Other borrowings	**—**	385,592
— Loans from an intermediate holding company	**3,513,166**	1,380,150
Non-interest bearing:		
— Loans from an intermediate holding company	**674,416**	743,660
Total debts and borrowings	**5,161,057**	3,702,259
Repayable:		
— Within one year	**4,187,582**	1,504,398
— After one year but within two years	**973,475**	1,146,484
— After two years but within five years	**—**	1,051,377
	5,161,057	3,702,259

	31 December 2019	31 December 2018
	$'000	*$'000*
Cash and bank balances		
— Cash and cash equivalents	**2,421,957**	2,741,296
— Restricted bank deposits	**—**	5,002
— Cash and bank balances classified as held for sale	**28,489**	—
— Restricted bank deposits classified as held for sale	**3,434**	—
Total cash and bank balances	**2,453,880**	2,746,298
Net debts (debts and borrowings minus cash and bank balances)	**2,707,177**	955,961
Total equity	**2,643,310**	3,207,391
Gearing ratio (net debts over aggregate of net debts and total equity)	**50.6%**	23%

The gearing ratio, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 50.6% as at 31 December 2019 as compared with 23% as at 31 December 2018. The rise in gearing ratio is mainly due to increase of loans from an intermediate holding company.

As at 31 December 2019, the Group's contracted commitment for capital expenditure is approximately HK$2,735.8 million (As at 31 December 2018: HK$3,855.1 million).

Foreign currency and interest rate exposure

The Group's business is principally conducted in RMB and USD. The functional currency of the Group's subsidiaries in the PRC and the United States of America (the "USA"), are RMB and USD respectively and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the Group's other subsidiaries is Hong Kong Dollar. The Group is exposed to currency risk primarily through loans that are denominated in USD. The Group maintains a conservative approach on foreign exchange exposure management. During the year, the Group did not use any financial instruments to hedge against foreign currency exposure and the Group did not have any hedging instruments outstanding as at 31 December 2019.

During the year, the Group had interest-bearing loans from financial institutions and an intermediate holding company. As at 31 December 2019, interest-bearing borrowings of HK$3,613.6 million, being approximately 80.5% of the total interest-bearing borrowings, were on a floating rate basis. The remaining interest-bearing borrowings of HK$873 million were on fixed interest rate basis. Accordingly, the Group's cost of borrowing was affected by fluctuations in interest rates. During the year, the Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate loans in order to manage interest rate risks. The Group will prudently consider entering into currency and interest rate hedging arrangements to minimise such exposures if and when appropriate.

PLEDGE OF ASSETS

As at 31 December 2019, the Group pledged certain of its assets to financial institutions in the PRC to secure the loans of approximately HK$973.5 million granted by these financial institutions. The aggregate carrying value of these construction in progress, freehold land and properties under development as at 31 December 2019 amounted to approximately HK$864.1 million, HK$158.2 million and HK$3,878.8 million respectively.

CHANGES IN SHARE CAPITAL

There are no changes in the Company's share capital during the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had provided guarantees in an aggregate amount of approximately HK$25.8 million (2018: HK$413.7 million) to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon the execution of individual purchasers' collateral agreements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

On 27 December 2019, the Group completed the disposal of its remaining 53% equity interest in Amazing Wise Limited for a cash consideration of HK$2,000,000 ("the Disposal"). Further details of the Disposal have been set out in the Company's announcements dated 13 December 2019, 27 December 2019 and 25 March 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No Director has the right to acquire shares or debentures of the Company or its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had around 534 full time employees, who are located in the PRC, Hong Kong and the USA.

During the year, the Group remunerated its employees based on their performance, experience and the prevailing market salaries. Performance bonuses were granted on a discretionary basis. Other employee benefits included insurance and medical cover, and subsidized educational and training programs.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

OUTLOOK

Following the injection of Wanda Hotel Management, the Group's strategies under the business transformation are to focus on fee based businesses, to improve cash flow, and to reduce leverage with the following initiatives:

1. To continue to monetize prior property investments. The Group views that potential disposal of the Chicago Project at current market level can help realize value of the investments and reduce current and future indebtedness (for project construction loans purpose). Hence the Group has been in active discussions with potential buyers for the disposal of the Chicago Project;

2. To capitalize on the hotel management expertise of the Company (e.g. hotel design, construction and operation management, etc.) where the Group can potentially develop into an industry leader in the segment in China; and

3. To improve the operating efficiency of the Guilin Project through cost control and targeted marketing, while at the same time evaluate future plans regarding the assets.

During the year, the Company has executed the above strategy including disposing of the Group's remaining 53% equity interest in Hengli City and to focus on fee based businesses. The Group expects to continue adopting the same strategies in the coming year and the Group will continue to prudently seek profitable investment opportunities, further expand the Group's sources of revenue, enhance the Group's profitability and maximize return for its shareholders.

The Group's fee based businesses operates mainly in the PRC. Since the beginning of 2020 and up to the date of this announcement, the PRC has been affected by the outbreak of the novel coronavirus pneumonia (COVID-19) (the "Pandemic"). The Board has been monitoring the development of the Pandemic and is continuously assessing its impact to the Group's operations. As at the date of this announcement, the degree of the impact and duration of the Pandemic remains uncertain to the Board but the Board will continue to pay close attention to its development and evaluate its impact on the Company's operations, and respond or make further announcement(s) as appropriate if necessary.

OTHER INFORMATION

SHARE OPTIONS SCHEME

The Company did not have any effective share option scheme as at 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the provisions of the Model Code during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

The Company has complied with the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Listing Rules, except for deviation from:

(i) Code Provision A.6.7 which stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other important business engagements at the relevant time, not all independent non-executive directors and non-executive directors attended the annual general meeting of the Company held on 29 May 2019 and the special general meeting of the Company held on 17 December 2019; and

(ii) Code Provision E.1.2 which stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 29 May 2019.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the requirements of the Code. Its primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the Group's financial information, systems of risk management, internal controls and the external audit process. As at the date of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. He Zhiping, Dr. Teng Bing Sheng and Dr. Chen Yan.

The Audit Committee meets regularly with the Company's senior management and the Company's external auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the Group's financial statements for the year ended 31 December 2019 and discussed the financial related matters with the Company's management and external auditors.

SCOPE OF WORK OF AUDITOR ON THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's independent auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on both the websites of the Company (www.wanda-hotel.com.hk) and of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
Wanda Hotel Development Company Limited
Ding Benxi
Chairman

Hong Kong, 31 March 2020

As at the date of this announcement, Mr. Ding Benxi (Chairman), Mr. Han Xu and Mr. Zhang Lin are the non-executive Directors; Mr. Ning Qifeng is the executive Director; and Mr. He Zhiping, Dr. Teng Bing Sheng and Dr. Chen Yan are the independent non-executive Directors.