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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 2020
AND
INSIDE INFORMATION CONCERNING POSSIBLE DISPOSAL OF
INTEREST IN A SUBSIDIARY

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 2020, with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2020**(Expressed in Hong Kong dollars)*

	<i>Notes</i>	2020 \$'000	2019 \$'000
Continuing operations			
Revenue	4	655,419	812,948
Cost of sales		(264,237)	(274,210)
Gross profit		391,182	538,738
Other income and gains, net	5	55,420	14,809
Net valuation loss on investment properties		(34,538)	(787,975)
Selling expenses		(27,685)	(33,763)
Administrative expenses		(136,979)	(175,587)
Finance costs	7	(111,892)	(152,933)
Profit/(loss) before tax from continuing operations		135,508	(596,711)
Income tax (expense)/credit	8	(39,409)	78,643
Profit/(loss) for the year from continuing operations		96,099	(518,068)
Discontinued operations			
Profit for the year from discontinued operations	10	134,057	129,444
Profit/(loss) for the year		230,156	(388,624)
Attributable to:			
Owners of the parent	9	165,131	(150,387)
Non-controlling interests		65,025	(238,237)
		230,156	(388,624)
Earnings/(loss) per share attributable to ordinary equity holders of the parent (HK cents)			
Basic and diluted	9		
— For profit/(loss) for the year		3.5	(3.2)
— For profit/(loss) from continuing operations		1.8	(5.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2020 \$'000	2019 \$'000
Profit/(loss) for the year		230,156	(388,624)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		203,869	(45,892)
Reclassification adjustments for a foreign operation disposed of during the year	<i>16</i>	5,360	(117,909)
Other comprehensive income/(loss) for the year, net of tax		209,229	(163,801)
Total comprehensive income/(loss) for the year		439,385	(552,425)
Attributable to:			
Owners of the parent		298,502	(298,611)
Non-controlling interests		140,883	(253,814)
		439,385	(552,425)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2020 \$'000	2019 \$'000
Non-current assets			
Property, plant and equipment		149,594	99,692
Investment properties		1,570,800	1,509,238
Right-of-use assets	<i>11(a)</i>	409,727	289,231
Long-term receivables		1,592,983	—
Deferred tax assets		39,383	16,157
Total non-current assets		3,762,487	1,914,318
Current assets			
Trade and bills receivables	<i>12</i>	341,829	220,124
Contract assets		22,469	14,500
Prepayments, other receivables and other assets	<i>13</i>	65,973	26,848
Income tax recoverable		696	—
Cash and cash equivalents		2,375,300	2,421,957
		2,806,267	2,683,429
Assets of a disposal group classified as held for sale		—	4,995,232
Total current assets		2,806,267	7,678,661
Current liabilities			
Trade and other payables	<i>14</i>	2,153,329	729,708
Contract liabilities		34,882	35,463
Receipts in advance		13,529	20,940
Loans from an intermediate holding company		873,000	4,187,582
Lease liabilities	<i>11(b)</i>	19,948	8,281
Income tax payables		32,447	25,022
		3,127,135	5,006,996
Liabilities directly associated with the assets classified as held for sale		—	1,459,703
Total current liabilities		3,127,135	6,466,699
Net current (liabilities)/assets		(320,868)	1,211,962
Total assets less current liabilities		3,441,619	3,126,280

	<i>Notes</i>	2020 \$'000	2019 \$'000
Non-current liabilities			
Contract liabilities		57,162	26,667
Lease liabilities	<i>11(b)</i>	421,825	286,908
Deferred tax liabilities		176,039	169,395
		<hr/>	<hr/>
Total non-current liabilities		655,026	482,970
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET ASSETS		2,786,593	2,643,310
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Equity			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	469,735	469,735
Retained earnings		367,688	205,279
Other reserves		1,382,558	1,246,465
		<hr/>	<hr/>
		2,219,981	1,921,479
Non-controlling interests		566,612	721,831
		<hr/>	<hr/>
TOTAL EQUITY		2,786,593	2,643,310
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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. These financial statements are presented in Hong Kong dollars (“\$”) and all values are rounded to the nearest thousand (“\$’000”) except when otherwise indicated.

The Group reported net current liabilities of \$320,868,000 as at 31 December 2020. Notwithstanding the net current liabilities position of the Company, the financial statements have been prepared on a going concern basis as Wanda Commercial Properties (Hong Kong) Co. Limited (“Wanda HK”), an intermediate holding company of the Company, has confirmed that it will not demand for payment of its advances and loans to the Group of \$2,522,799,000 within the next twelve months.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year’s financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (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 originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group’s office place have been reduced by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of \$183,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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 particulars of the Group's reportable operating segments are summarised as follows:

- (a) leasing of investment properties held by the Group for long-term investment;
- (b) hotel operation 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 and gains, net as well as corporate and other unallocated expense are excluded from such measurement.

Segment assets exclude deferred tax assets, income tax recoverable, 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 an intermediate holding company, income tax payables, liabilities directly associated with the assets classified as held for sale and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2020

	Investment property leasing \$'000	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Total \$'000
Segment revenue: (note 4)				
Sales to external customers	103,653	378,044	173,722	655,419
Intersegment sales	—	—	7,346	7,346
	<u>103,653</u>	<u>378,044</u>	<u>181,068</u>	<u>662,765</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(7,346)</u>
Revenue from continuing operations				<u><u>655,419</u></u>
Segment profit	53,062	92,958	51,102	197,122
<i>Reconciliation:</i>				
Other income and gains, net (note 5)				55,420
Finance costs (other than interest on lease liabilities) (note 7)				(92,243)
Corporate and other unallocated expense				<u>(24,791)</u>
Profit before tax from continuing operations				<u><u>135,508</u></u>
Segment assets	1,592,978	697,939	260,812	2,551,729
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>4,017,025</u>
Total assets				<u><u>6,568,754</u></u>
Segment liabilities	87,585	869,783	84,671	1,042,039
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>2,740,122</u>
Total liabilities				<u><u>3,782,161</u></u>

Other segment information

Year ended 31 December 2020

	Investment property leasing \$'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: <i>(note 5)</i>				
— Segment assets	(914)	30,872	(6,067)	23,891
— Unallocated assets				—
				<u>23,891</u>
Depreciation <i>(note 6)</i>				
— Segment assets	91	36,015	339	36,445
— Unallocated assets				1,784
				<u>38,229</u>
Capital expenditure*				
— Segment assets	8	52,348	195	52,551
— Unallocated assets				7
				<u>52,558</u>

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

Year ended 31 December 2019

	Investment properties leasing \$'000	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Total \$'000
Segment revenue: (note 4)				
Sales to external customers	149,118	471,229	192,601	812,948
Intersegment sales	—	—	556	556
	<u>149,118</u>	<u>471,229</u>	<u>193,157</u>	<u>813,504</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(556)</u>
Revenue from continuing operations				<u><u>812,948</u></u>
Segment loss	(666,196)	176,162	57,037	(432,997)
<i>Reconciliation:</i>				
Other income and gains, net (note 5)				14,809
Finance costs (other than interest on lease liabilities) (note 7)				(143,821)
Corporate and other unallocated expense				<u>(34,702)</u>
Loss before tax from continuing operations				<u><u>(596,711)</u></u>
Segment assets	1,516,057	493,613	158,791	2,168,461
<i>Reconciliation:</i>				
Assets of a disposal group classified as held for sale				4,995,232
Corporate and other unallocated assets				<u>2,429,286</u>
Total assets				<u><u>9,592,979</u></u>
Segment liabilities	144,653	676,385	87,710	908,748
<i>Reconciliation:</i>				
Liabilities directly associated with the assets classified as held for sale				1,459,703
Corporate and other unallocated liabilities				<u>4,581,218</u>
Total liabilities				<u><u>6,949,669</u></u>

Other segment information

Year ended 31 December 2019

	Investment properties leasing \$'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
				<u>36,997</u>
Depreciation (note 6)				
— Segment assets	383	17,807	614	18,804
— Unallocated assets				2,751
				<u>21,555</u>
Capital expenditure*				
— Segment assets	13	91,370	266	91,649
— Unallocated assets				66
				<u>91,715</u>

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

	Segment revenue from external customers		Specified non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
The PRC (including Hong Kong)	655,419	809,663	3,723,104	1,898,161
Overseas	—	3,285	—	—
	<u>655,419</u>	<u>812,948</u>	<u>3,723,104</u>	<u>1,898,161</u>

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:

	2020 \$'000	2019 \$'000
Customer A	204,338	305,160
Customer B	113,240	94,182
Customer C	71,829	150,064
Others	266,012	263,542
	<u>655,419</u>	<u>812,948</u>

4 REVENUE

An analysis of revenue is as follows:

	2020 \$'000	2019 \$'000
<i>Revenue from contracts with customers</i>		
Hotel management services	304,658	460,344
Hotel design and construction management services	173,722	192,601
Hotel operation income	73,386	10,885
	<u>551,766</u>	<u>663,830</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Variable rent	2,712	4,719
Base rent	100,941	144,399
	<u>103,653</u>	<u>149,118</u>
	<u>655,419</u>	<u>812,948</u>

(i) *Disaggregated revenue information*

	2020 \$'000	2019 \$'000
Recognised at a point in time		
Hotel operation income	37,944	4,919
Recognised over time		
Hotel operation income	35,442	5,966
Hotel management services	304,658	460,344
Hotel design and construction management services	173,722	192,601
Revenue from contracts with customers	551,766	663,830

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 \$'000	2019 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	9,983	—
Loyalty programme management services	12,297	11,845
Hotel management services	6,154	4,693
Hotel design and construction management services	201	16,577
Others	57	—
	28,692	33,115

(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.

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:

	2020	2019
	<i>\$'000</i>	<i>\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	193,949	154,225
After one year	157,486	137,061
	351,435	291,286

5 OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net from continuing operations is as follows:

	2020	2019
	<i>\$'000</i>	<i>\$'000</i>
Bank interest income	16,691	6,152
Interest income on long-term receivables	10,690	—
Other interest income from financial assets at fair value through profit or loss	13,133	7,395
Exchange gain, net	20,999	3,805
(Impairment)/reversal of impairment of financial and contract assets, net		
Impairment of trade receivables	(23,389)	(27,292)
Reversal of impairment/(impairment) of other receivables	800	(9,651)
Impairment of contract assets	(1,302)	(54)
Other income due to breach of contracts	14,409	33,190
Others	3,389	1,264
	55,420	14,809

6 PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	<i>Notes</i>	2020	2019
		\$'000	\$'000
Cost of goods sold		30,408	9,819
Cost of services provided		221,998	244,950
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		11,831	19,441
		264,237	274,210
Depreciation of property, plant and equipment		8,946	4,083
Depreciation of right-of-use assets		29,283	17,472
Lease payments not included in the measurement of lease liabilities	<i>11(c)</i>	7,835	7,094
Decrease in fair value of investment properties		34,538	787,975
Auditor's remuneration			
— Annual audit services		1,095	1,061
— Non-audit services		1,164	900
Employee benefit expense (excluding directors' remuneration)			
— Salaries, wages and other benefits		93,915	105,645
— Contributions to defined contribution retirement plans		932	3,993
		94,847	109,638

7 FINANCE COSTS

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

	2020 \$'000	2019 \$'000
Interest on loans from financial institutions	—	10,779
Interest on loans from an intermediate holding company	92,243	133,042
Interest on leases liabilities (<i>note 11(b)</i>)	19,649	9,112
	<u>111,892</u>	<u>152,933</u>

8 INCOME TAX

	2020 \$'000	2019 \$'000
Current tax		
Corporate Income Tax (<i>note (iii)</i>)		
— Charge for the year	65,039	84,464
— Underprovision in prior years	—	269
	<u>65,039</u>	<u>84,733</u>
Deferred tax		
Origination and reversal of temporary differences:		
— Revaluation of properties	(2,639)	(153,639)
— Effect of adoption HKFRS 16	(5,858)	(989)
— Others	(17,133)	(8,748)
	<u>(25,630)</u>	<u>(163,376)</u>
Total tax expense/(credit) for the year from continuing operations	39,409	(78,643)
Total tax expense for the year from discontinued operations	—	36,737
Total income tax expense/(credit) for the year	<u>39,409</u>	<u>(41,906)</u>

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 income 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 (2019: Nil).
- (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 (2019: 25%), except for the subsidiaries of the Company established in Horgos, Xinjiang Uygur Autonomous region, which enjoy 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 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,697,347,000 (2019: 4,697,347,000) in issue during the year.

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

	2020 \$'000	2019 \$'000
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	84,754	(248,092)
From discontinued operations (<i>note 10</i>)	80,377	97,705
	<u>165,131</u>	<u>(150,387)</u>

	Number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations (<i>note 15</i>)	4,697,347	4,697,347

(b) Diluted earnings/(loss) per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2020 (2019: Nil).

10 DISCONTINUED OPERATION

(i) Parcel C

During the year ended 31 December 2019, management was in active discussions with potential buyers for the disposal of the Company's interest in Parcel C LLC ("Parcel C"), a subsidiary of the Company which held a property under construction in Chicago, USA. Since then, Parcel C has been classified as a disposal company held for sale and as a discontinued operation. The disposal of Parcel C was completed on 24 November 2020.

(ii) Ceased business of the development and sale of properties in the PRC

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

(i) **Parcel C:**

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

	2020 \$'000	2019 \$'000
Other revenue	18	103
Other income and gains, net	6,075	5,952
Selling expenses	(17,319)	(27,688)
Administrative expenses	(4,475)	(133)
Finance costs	(18)	(140)
Gain on disposal of a subsidiary (note 16)	149,776	—
	<hr/>	<hr/>
Profit/(loss) before tax from the discontinued operation	134,057	(21,906)
Income tax expense	—	—
	<hr/>	<hr/>
Profit/(loss) for the year from the discontinued operation	<u>134,057</u>	<u>(21,906)</u>

(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
	<hr/>
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)
	<hr/>
Liabilities directly associated with the assets classified as held for sale	(1,459,703)
	<hr/>
Net assets directly associated with Parcel C	<u>3,535,529</u>
	<hr/>
Exchange reserve on translation of foreign operations	<u>(4,202)</u>

(c) The net cash flows for the period up to the date of disposal are presented below:

	2020 \$'000	2019 \$'000
Operating activities	(851,479)	(807,388)
Investing activities	(179,358)	(260,368)
Financing activities	1,004,388	1,026,062
Effect of foreign exchange rate changes	(72)	(241)
	<u> </u>	<u> </u>
Net cash flow	<u><u>(26,521)</u></u>	<u><u>(41,935)</u></u>

(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
	<u> </u>
	<u><u>4,901,075</u></u>

The loan from a financial institution as at 31 December 2019 was guaranteed by an intermediate holding company, Dalian Wanda Commercial Management Group Co., Ltd, and this loan and the relevant guarantee had been released before completion of the disposal of Parcel C.

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

(a) The results for the year ended 31 December 2019 are presented below:

	2019 \$'000
Revenue	178,332
Cost of sales	(130,670)
Other revenue	19,928
Other income and gains, net	48,737
Selling expenses	(11,235)
Administrative expenses	(16,447)
Finance cost	(37,351)
Gain on disposal of subsidiaries	136,793
	<u> </u>
Profit before tax from the discontinued operation	188,087
Income tax expense	(36,737)
	<u> </u>
Profit for the year from the discontinued operation	<u><u>151,350</u></u>

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

	2019 \$'000
Operating activities	(190,899)
Investing activities	7,268
Financing activities	124,503
Effect of foreign exchange rate changes	597
	<hr/>
Net cash flow	<u>(58,531)</u>

(iii) Earnings per share (HK cents)

	2020	2019
Basic and diluted, from discontinued operations	<u>1.7</u>	<u>2.1</u>

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

	2020 \$'000	2019 \$'000
Profit attributable to ordinary equity holders of the parent from the discontinued operations (<i>note 9</i>)	<u>80,377</u>	<u>97,705</u>
	2020 '000	2019 '000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation (<i>note 15</i>)	<u>4,697,347</u>	<u>4,697,347</u>

11 LEASES

The Group as a lessee

The Group has lease contracts for various items of office, hotel buildings, warehouses and machinery used in its operations. Leases of offices 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 and machinery generally has lease terms between 1 and 3 years. Other office space or equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) 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 \$'000	Hotel buildings \$'000	Warehouses \$'000	Prepaid land lease payments \$'000	Machinery \$'000	Total \$'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	—	—	—	(15,888)	—	(15,888)
Transfer to assets classified as held for sale	(1,369)	—	—	—	—	(1,369)
Exchange realignment	639	87	(28)	(386)	—	312
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2019 and 1 January 2020	37,563	251,536	132	—	—	289,231
Additions	820	126,874	—	—	486	128,180
Depreciation charge	(9,352)	(19,600)	(136)	—	(195)	(29,283)
Exchange realignment	1,920	19,665	4	—	10	21,599
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2020	<u>30,951</u>	<u>378,475</u>	<u>—</u>	<u>—</u>	<u>301</u>	<u>409,727</u>

(b) Lease liabilities

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

	2020 \$'000	2019 \$'000
Carrying amount at 1 January	295,189	10,517
New leases	128,180	299,591
Accretion of interest recognised during the year (note 7)	19,649	9,112
Payments	(24,227)	(23,398)
Transfer to liabilities directly associated with the assets classified as held for sale	—	(1,406)
Covid-19-related rent concessions from lessors	(183)	—
Exchange realignment	23,165	773
	<u> </u>	<u> </u>
Carrying amount at 31 December	<u>441,773</u>	<u>295,189</u>
Analysed into:		
Current portion	19,948	8,281
Non-current portion	421,825	286,908
	<u> </u>	<u> </u>
	<u>441,773</u>	<u>295,189</u>

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

	2020 \$'000	2019 \$'000
Interest on lease liabilities (<i>note 7</i>)	19,649	9,112
Depreciation charge of right-of-use assets	29,283	20,767
Expense relating to short-term leases (<i>note 6</i>)	7,747	6,984
Expense relating to leases of low-value assets (included in administrative expenses) (<i>note 6</i>)	88	110
Covid-19-related rent concessions from lessors	(183)	—
	<u>56,584</u>	<u>36,973</u>
Total amount recognised in profit or loss	<u><u>56,584</u></u>	<u><u>36,973</u></u>

The Group as a lessor

The Group leases its investment properties in Guilin under operating lease arrangements. Another commercial property in Fuzhou was leased under operating lease arrangements during the year ended 31 December 2019, which was disposed of on 27 December 2019 upon the completion of the disposal of Amazing Wise Limited and its subsidiaries. The terms of the lease 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 \$103,653,000 (2019: \$149,118,000), details of which are included in note 4 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 \$'000	2019 \$'000
Within one year	80,921	85,945
After one year but within two years	56,523	57,138
After two years but within three years	40,094	37,016
After three years but within four years	29,641	32,371
After four years but within five years	23,331	26,428
After five years	103,370	133,549
	<u>333,880</u>	<u>372,447</u>
	<u><u>333,880</u></u>	<u><u>372,447</u></u>

12 TRADE AND BILLS RECEIVABLES

	2020 \$'000	2019 \$'000
Trade receivables	340,257	231,696
Impairment	<u>(54,702)</u>	<u>(28,493)</u>
	285,555	203,203
Bills receivables	<u>56,274</u>	<u>16,921</u>
	<u>341,829</u>	<u>220,124</u>

Receivables from 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:

	2020 \$'000	2019 \$'000
Within 3 months	111,859	73,183
Over 3 months but within 6 months	59,315	31,669
Over 6 months but within 12 months	56,853	47,351
Over 12 months	<u>57,528</u>	<u>51,000</u>
	<u>285,555</u>	<u>203,203</u>

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

	2020 \$'000	2019 \$'000
At beginning of year	28,493	1,595
Impairment during the year, net		
— continuing operations	23,389	27,292
— discontinued operations	—	(6)
Exchange realignment	<u>2,820</u>	<u>(388)</u>
At end of year	<u>54,702</u>	<u>28,493</u>

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 by reference to the credit risk characteristics of receivables, either individually or collectively. For receivables with credit risk identified deteriorated significantly, Management made provision on the individual basis, otherwise, Management use a provision matrix to measure expected credit losses for the rest receivables. 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.

As at 31 December 2020, the trade receivables amounting to \$48,037,000 (2019: \$25,664,000) was assessed individually and considered to be unlikely for the Group to receive the outstanding contractual amounts and was fully impaired. There are no credit enhancements held by the Group on such outstanding amounts.

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

As at 31 December 2020

	Current	Past due			Over 12 months	Total
		Less than 3 months	3 to 6 months	6 to 12 months		
Expected credit loss rate	0.236%	0.882%	1.768%	2.226%	8.741%	2.281%
Gross carrying amount (\$'000)	<u>112,132</u>	<u>59,725</u>	<u>24,723</u>	<u>44,880</u>	<u>50,760</u>	<u>292,220</u>
Expected credit losses (\$'000)	<u>265</u>	<u>527</u>	<u>437</u>	<u>999</u>	<u>4,437</u>	<u>6,665</u>

As at 31 December 2019

	Current	Past due			Over 12 months	Total
		Less than 3 months	3 to 6 months	6 to 12 months		
Expected credit loss rate	0.292%	0.846%	1.032%	2.125%	9.361%	1.373%
Gross carrying amount (\$'000)	<u>86,290</u>	<u>32,615</u>	<u>21,803</u>	<u>55,806</u>	<u>9,518</u>	<u>206,032</u>
Expected credit losses (\$'000)	<u>251</u>	<u>276</u>	<u>225</u>	<u>1,186</u>	<u>891</u>	<u>2,829</u>

13 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Notes</i>	2020 \$'000	2019 \$'000
Prepayments		7,209	5,810
Deposits and other receivables		62,572	25,859
Amounts due from related parties		263	1,004
Amounts due from an intermediate holding company		<u>11,457</u>	<u>10,712</u>
		81,501	43,385
Impairment allowance	<i>a</i>	<u>(15,528)</u>	<u>(16,537)</u>
		<u>65,973</u>	<u>26,848</u>

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:

	2020 \$'000	2019 \$'000
At 1 January	16,537	353
Impairment during the year (reversed)/recognised in profit or loss, net		
— continuing operations	(800)	9,651
— discontinued operations	—	6,659
Exchange realignment	<u>(209)</u>	<u>(126)</u>
At 31 December	<u>15,528</u>	<u>16,537</u>

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

14 TRADE AND OTHER PAYABLES

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

	<i>Notes</i>	2020 \$'000	2019 \$'000
Trade payables	<i>a</i>	52,745	84,874
Other payables and accruals		238,106	215,365
Interest payable to an intermediate holding company	<i>b</i>	221,291	129,523
Amounts due to intermediate holding companies	<i>c</i>	1,430,424	94,852
Amounts due to related parties	<i>c</i>	210,763	205,094
		<u>2,153,329</u>	<u>729,708</u>

Notes:

- a. None of the Group's trade payables are expected to be settled after more than one year (2019: Nil).

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

	2020 \$'000	2019 \$'000
Within 3 months	10,017	3,404
Over 3 months but within 6 months	250	2,265
Over 6 months but within 12 months	6,238	143
Over 12 months	36,240	79,062
	<u>52,745</u>	<u>84,874</u>

- b. The amount of \$221,291,000 in interest payable to an intermediate holding company is repayable on demand (2019: \$129,523,000). The interest payable is unsecured and not subject to compound interests.
- c. The amounts due to intermediate holding companies and related parties are repayable on demand and all these balances are unsecured and interest-free.

15 SHARE CAPITAL AND DIVIDEND

(i) Share capital

	2020		2019	
	No. of shares '000	Amount \$'000	No. of shares '000	Amount \$'000
Issued and fully paid:				
4,697,346,488 (2019: 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 2020 (2019: Nil).

16 DISPOSAL OF A SUBSIDIARY

On 24 November 2020, the Group completed the disposal of its equity interest in Parcel C. Further details of the Disposal have been set out in the Company's announcements dated 30 July 2020, 17 August 2020 and 25 November 2020, the Company's circular dated 29 September 2020.

On 24 July 2020, Wanda Chicago Real Estate LLC ("Wanda Chicago"), a subsidiary of the Company, as seller, and Magellan Parcel C/D LLC ("Magellan"), as purchaser, entered into a membership interest purchase agreement (the "Agreement") in relation to the disposal of 90% of the issued and outstanding membership interests of Parcel C (the "Disposal") at the consideration of US\$270,000,000 and repayment of the debt in the amount of US\$281,370,000, among which US\$200,000,000 has been deferred in payment (the "Deferred Amount"). The Deferred Amount was increased by US\$3,500,001 according to the Agreement since Magellan extended the initial scheduled closing date from 22 October 2020 to the final completion date on 24 November 2020.

The net assets of Parcel C at the date of disposal were as follows:

	2020 \$'000
Net assets disposed of:	
Construction in progress	1,049,332
Freehold land	157,467
Properties under development	4,638,288
Contract incremental costs	57,761
Prepayments, other receivables and other assets	40,933
Cash and cash equivalents	1,968
Trade and other payables	(438,636)
Other borrowings	(3,340,910)
Non-controlling interests	(216,737)
	<hr/>
	1,949,466
Exchange fluctuation reserve	5,360
Transaction expenses	20,136
Gain on disposal of a subsidiary (<i>note 10</i>)	149,776
	<hr/>
	2,124,738
	<hr/> <hr/>
Satisfied by:	
Cash	2,092,932
Increase in the Deferred Amount	27,194
Fair value gain on the Deferred Amount	4,612
	<hr/>
	2,124,738
	<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 \$'000
Cash consideration	2,092,932
Cash and bank balances disposed of	(1,968)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	2,090,964
	<hr/> <hr/>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2020, the Group's principal businesses are divided into the following three business segments:—

Hotel business	1. Hotel management and operations
	2. Hotel design and construction management services
Property business	3. Investment properties leasing

HOTEL BUSINESS

During 2020, the Group's hotel businesses have been operated by Wanda Hotel Management (HK) Co., Ltd. ("Wanda Hotel Management"), which is a leading hotel services provider in the People's Republic of China (the "PRC") and is principally engaged in the business of hotel management and operation, hotel design, hotel construction management and related consultancy and other ancillary business, with comprehensive capabilities in hotel management and operation.

Hotel management and operations

As of 31 December 2020, the hotel network under the Group's management consisted of 94 hotels with 25,473 rooms in operation covering 71 cities in the PRC, and an additional 106 hotels were contracted to be managed by Wanda Hotel Management but are still under development and have not commenced operation yet.

Wanda Hotel Management currently manages hotels under the following brands that are designed to target distinct segments of customers:—

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

Hotel Brand	Brand Positioning	Service Features
Wanda Yi	• Upscale	• A premium high-end lifestyle hotel brand offering distinctive design, imaginative and livable space to travelers seeking lives' exquisiteness and surprises.
Wanda Moments	• Upper Mid-scale	• A high-end midscale hotel brand dedicating to quality design and select services for the ultimate comfort of business travelers.
Wanda Yue	• Mid-scale	• A midscale hotel brand offering intimate services to business travelers who are highly individual and willing to experience the trendy.

The following table sets forth a breakdown by hotel brands and operational model of hotels in operation managed by Wanda Hotel Management as at 31 December 2020:—

	Leased-and-Operated Hotels	Managed Hotels	Franchised Hotels	Number of Hotel Room
Wanda Reign	—	3	—	845
Wanda Vista	—	25	—	6,241
Wanda Realm	—	49	2	14,997
Wanda Jin	—	5	—	1,542
Wanda Yi	—	1	—	346
Wanda Moments	3	4	—	1,152
Wanda Yue	—	1	—	81
Others	—	1	—	269
Grand Total	3	89	2	25,473

Leased and operated hotels

As of 31 December 2020, the Group had three leased-and-operated hotels, accounting for approximately 3% of our hotels in operation. Under the leased-and-operated hotels model, the Group leases hotels from hotel owners and manages and operates these hotels with all of the accompanying expenses borne by the Group.

For our leased-and-operated hotels, we are responsible for recruiting, training and supervising the hotel managers and employees, paying for leases and costs associated with construction and renovation of these hotels, and purchasing all supplies and other required equipment. The terms of our leases typically range from 15 to 20 years, with an initial two to 15-month rent-free period. We generally pay fixed rent on a quarterly or biannual basis for the first three to five years of the lease term, after which we are generally subject to a pre-determined rent increase annually. Our leases usually allow for term extensions by mutual agreement. As of 31 December 2020, none of our leases were expected to expire in 2021.

Managed hotels

As of 31 December 2020, we had 89 managed hotels, accounting for approximately 95% of all of our hotels in operation. Under the managed hotel model, we license our relevant brand to hotel owners, manage hotels through the on-site hotel management teams who we appoint and we charge and collect management fees from hotel owners.

For our managed hotels, we offer hotel owners the right to use our brand name, logo, operating manuals and procedures. These hotels will be operated in accordance with our brand standard, including converting the hotel property such that it conforms to the standard design and layout of the corresponding brand offering under our supervision, becoming integrated into our central reservation system and hotel management IT system, and being included in our consumable goods procurement system. The property owners are responsible for the costs of developing and operating their hotels, including the costs of renovating the hotels to meet our standards.

Franchised hotels

As of 31 December 2020, we had two franchised hotels, accounting for approximately 2% of all of our hotels in operation. Under the franchised hotel model, we license our relevant brand to hotel owners similar to the managed hotel model, but we provide training, reservation and support services to the franchised hotels and collect fees from franchisees and do not appoint on-site hotel management personnel.

For our franchised hotels, we offer hotel owners the right to use our brand name, logo, operating manuals and procedures and convert the franchised hotels in accordance with our brand standard similar to our managed hotels. However, as opposed to appointing hotel managers to manage the hotels on-site, we provide training to hotel staff and offer reservation and support services to the franchised hotels. In order to ensure that services offered by the franchised hotels are of quality consistent to other hotels managed by us, the Group carries out periodic assessment and report on various aspects of the operation of the franchised hotels.

Key performance indicators

Revenue per available room (“RevPAR”) is the non-financial key performance indicator which the senior management reviews frequently. It is a key performance indicator commonly used in the hospitality industry and is defined as the product of average occupancy rates and average daily rates per room achieved. Occupancy rates of our hotels mainly depend on the locations of our hotels, product and service offering, the effectiveness of our sales and brand promotion efforts, our ability to effectively manage hotel reservations, the performance of managerial staff and other employees of our hotels, as well as our ability to respond to competitive pressure. We set the room rates of our hotels primarily based on the location of hotels, room rates charged by our competitors within the same locality and our relative brand and product strength in the city or city cluster.

The following table sets forth our RevPAR, average daily room rate and occupancy rate for our hotels for the year ended 31 December 2020:—

	For Year Ended 31 December	
	2020	2019
Occupancy rate (%)		
All hotels	44.2%	61.8%
Upscale and above hotels	43.8%	62.0%
Midscale hotels	53.8%	49.0%
Average daily rate (RMB)		
All hotels	519	544
Upscale and above hotels	530	547
Midscale hotels	268	268
RevPAR (RMB)		
All hotels	230	336
Upscale and above hotels	232	339
Midscale hotels	144	131

Impact of COVID-19 coronavirus (the “Pandemic”)

The outbreak of the Pandemic since the first quarter of 2020 has taken its toll on the Group’s hotel management and operation business which operates mainly in the PRC. The occupancy rate of the hotels managed by the Group, which are principally located in the PRC, has substantially declined to approximately 24% during the first quarter of 2020 from approximately 54% in the corresponding period of 2019. Such decline in occupancy rate was mainly due to the travel advisories or restrictions in the PRC during the Pandemic. In response to the difficult business environment as a result of the Pandemic, the Group has sought to reduce costs, mitigate operational risk and enhance operation efficiency as counter-measures. With all these efforts the performance of our hotels continued to improve, with our occupancy rate reaching approximately 70.8% during the October Golden Week Chinese National Holiday in 2020, exceeding the corresponding period in 2019 of approximately 66.7%.

Hotel design and construction management services

The Group’s hotel design and construction management services business targets the same client base as the hotel management and operation business. Our hotel design business mainly provides interior and mechanical, electrical and plumbing design services (including interior, furnishing, lighting, early and later stage design services, mechanical and electrical parts design, kitchen and back-of-house design) and charge design fees with reference to the building area of the hotels on a per square meter basis, depending on the type of design service rendered. Our hotel construction management business offers consultancy and project management services to hotels managed by the Group to ensure that the projects are completed according to the agreed specifications in terms of cost, time and quality. The service fees charged are based on a percentage of the total costs of the relevant project with certain incentives for achieving cost-savings (against budget) targets.

PROPERTY BUSINESS

Guilin Project, the PRC

In February 2014, the Company acquired a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous Region, the PRC with Wanda Commercial Properties (Hong Kong) Co., Limited (“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.

All saleable residential and retail properties of the Guilin Project have been sold. 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.

Chicago Project, the United States of America (“USA”)

In July 2014, the Company formed a joint venture with Wanda HK to establish a joint venture platform in the Americas, in which the Company Holds 60% and Wanda HK holds 40%. Wanda Chicago Real Estate LLC (“Wanda Chicago”), a wholly owned subsidiary of this joint venture platform, subsequently acquired a property project in Chicago (“Chicago Project”) jointly with Magellan Parcel C/D LLC (“Magellan”). The Chicago Project was held as to 90% by Wanda Chicago and 10% by Magellan. The Chicago Project, a commercial and residential property project, located in the heart of Chicago adjacent to Millennium Park and the Chicago CBD, commenced construction in August 2016 and was expected to be completed by the end of 2020.

In line with the Group’s strategy to focus on fee-based businesses and reduce leverage, on 24 July 2020, Wanda Chicago as seller and Magellan as purchaser entered into an agreement in respect of Wanda Chicago’s disposal of the 90% interests of the Chicago Project. The disposal was completed on 24 November 2020 (US time) and as from completion date, the Company no longer has any interest in the Chicago Project.

FINANCIAL REVIEW

Despite a challenging operating environment as a result of the Pandemic during 2020, the Group reported a profit of approximately HK\$230.2 million on the revenue of approximately HK\$655.4 million, as compared to the loss of approximately HK\$388.6 million on the revenue of approximately HK\$812.9 million in 2019.

Revenue

The Group revenue for the year ended 31 December 2020 and 2019 can be analyzed as below:—

	2020	2019	Changes	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Hotel operation and management services	378,044	471,229	(93,185)	(19.8)
Hotel design and construction management services	173,722	192,601	(18,879)	(9.8)
Investment properties leasing	103,653	149,118	(45,465)	(30.5)
Total	<u>655,419</u>	<u>812,948</u>	<u>(157,529)</u>	<u>(19.4)</u>

Hotel operation and management services revenue decreased to approximately HK\$378 million as compared to approximately HK\$471.2 million in 2019. Lower management fee income was received due to the RevPAR of the operating hotels managed by the Group dropping to RMB230 in 2020 from RMB336 in 2019, resulting from sharp decline in occupancy rate amid the Pandemic.

Hotel design and construction management services revenue decreased to approximately HK\$173.7 million as compared to approximately HK\$192.6 million in 2019, mainly due to slowdown of work progress as a result of delay of construction works during the Pandemic.

Investment properties leasing revenue decreased to approximately HK\$103.7 million in 2020 from approximately HK\$149.1 million in 2019, primarily due to lack of rental income contribution from the Hengli City Project after the completion of its disposal in 2019. For further details of the Hengli City Project and its disposal, please refer to the announcements of the Company dated 13 December 2019, 27 December 2019 and 25 March 2020.

Cost of sales

Cost of sales of the Group decreased by 3.6% to HK\$264.2 million for the year ended 31 December 2020 from HK\$274.2 million for 2019 primarily due to a drop in sales resulting from the Pandemic.

Gross profit and margin

Gross profit was approximately HK\$391.2 million in 2020, as compared to approximately HK\$538.7 million in 2019. Gross profit margin decreased to approximately 59.7% in 2020 from approximately 66.3% in 2019. Such profit margin drop was attributed to slight decline of profitability from hotel management services as a result of lower RevPAR and occupancy rate of hotels under management as mentioned above.

Other income and gains, net

Net other income and gains of the Group rose to approximately HK\$55.4 million in 2020 from approximately HK\$14.8 million in 2019. Such increase is mainly due to 1) net foreign exchange gain of approximately HK\$21 million and 2) interest income on long-term receivables of approximately HK\$10.7 million arising from the deferred amount of the disposal of Parcel C, a project company holding Chicago Project.

Net valuation loss on investment properties

Net valuation loss on investment properties of the Group significantly decreased to approximately HK\$34.5 million in 2020, as compared to approximately HK\$788 million in 2019. Such valuation loss decreased because Hengli City Project, which had incurred valuation loss of approximately HK\$788.6 million, was disposed of in 2019.

Selling and Administrative expenses

Selling and Administrative expenses decreased by 18% and 22% to approximately HK\$27.7 million and HK\$137 million respectively in 2020 from approximately HK\$33.8 million and HK\$175.6 million in 2019, primarily attributable to cost-cutting measures implemented by the Group to cope with the difficult business environment as a result of the Pandemic.

Finance costs

Finance costs decreased by 26.8% to approximately HK\$111.9 million in 2020 from approximately HK\$152.9 million, primarily attributable to a decrease of interest payment on loans from Wanda HK, an intermediate holding company of the Group, of approximately HK\$40.8 million, as a result of fluctuations in interest rates and repayment of such loans during 2020.

Profit/(loss) before tax from continuing operations

As a result of the foregoing, the Group reported profit before tax from continuing operations of approximately HK\$135.5 million, as compared to loss of approximately HK\$596.7 million in 2019.

Segment results

The following table illustrates the segment results of the Group for the year ended 31 December 2020 and 2019 respectively:—

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
Hotel operation and management services	92,958	176,162	(83,204)	(47.2)
Hotel design and construction management services	51,102	57,037	(5,935)	(10.4)
Investment properties leasing	53,062	(666,196)	719,258	N/A
Total	197,122	(432,997)	630,119	N/A

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

Hotel operation and management services segment profit decreased to approximately HK\$93 million in 2020 from approximately HK\$176.2 million in 2019, primarily due to slight decline of profitability from hotel management services as a result of lower RevPAR and occupancy rate of hotels under management as mentioned above.

Hotel design and construction management services segment profit decreased to approximately HK\$51.1 million in 2020 from approximately HK\$57 million in 2019, primarily due to lower revenue in 2020 as a result of slow-down of work during the Pandemic.

Investment properties leasing segment reported profit of approximately HK\$53.1 million in 2020, as compared to loss of approximately HK\$666.2 million in 2019 primarily due to no further valuation loss for Hengli City Project was recorded after it was disposed in 2019.

Income tax expense

The Group reported income tax expense of approximately HK\$39.4 million in 2020, as compared to approximately HK\$78.6 million income tax credit in 2019, primarily due to reversal of deferred tax previously provided for the revaluation of properties in Hengli City of approximately HK\$153.6 million in 2019.

Profit/(loss) for the year from continuing operations

As a result of foregoing, the Group reported approximately HK\$96.1 million profit from the year from continuing operations, as compared to loss of approximately HK\$518.1 million in 2019.

Profit for the year from discontinued operations

Profit from discontinued operations increased to approximately HK\$134.1 million in 2020 from approximately HK\$129.4 million in 2019, primarily attributable to 1) approximately HK\$149.8 million gain on disposal of Parcel C; and 2) the discontinued business of development and sale of properties no longer contributing any profit in 2020.

Profit/(loss) for the year and profit/(loss) attributable to equity holders of the Company

As a result of the foregoing, the following illustrates the Group's profit/(loss) for the year and profit/(loss) attributable to equity holders of the Company for 2020 and 2019 respectively:—

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Changes <i>HK\$'000</i>
Profit/(loss) attributable to:—			
— Equity holders of the Company	165,131	(150,387)	315,518
— Non-controlling interests	65,025	(238,237)	303,262
Profit/(loss) for the year	230,156	(388,624)	618,780

Net assets and equity attributable to equity holders of the parent

Net assets and equity attributable to equity holders of the parent of the Group are summarized as below:—

	As at 31 December	
	2020 <i>HK\$ million</i>	2019 <i>HK\$ million</i>
Total assets	6,568.8	9,593.0
Total liabilities	3,782.2	6,949.7
Net assets	2,786.6	2,643.3
Equity attributable to equity holders of the parent	2,220.0	1,921.5

Liquidity, borrowing and financial resources

As at 31 December 2020, the Group's cash amounted to approximately HK\$2,375.3 million as compared with HK\$2,422 million as at 31 December 2019. Below set out the analysis of cash by currency type:—

	As at 31 December	
	2020 (% of total cash)	2019 (% of total cash)
Renminbi ("RMB")	94	86
Australia Dollar ("AUD")	4	11
United States Dollar ("USD")	1	2
Hong Kong Dollar	1	1
	100	100
	100	100

As at 31 December 2020, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 0.9 as compared with 1.19 as at 31 December 2019, primarily attributable to approximately HK\$1.6 billion of partial consideration in relation to the disposal of Parcel C having been deferred by three years and classified as long-term receivables.

The maturity profile of total debt and borrowings of the Group is set out as below:—

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Debts and borrowings		
Interest bearing:		
Loan from a financial institution classified as held for sale	—	973,475
Loan from an intermediate holding company	873,000	3,513,166
Non-interest bearing		
Loans from an intermediate holding company	—	674,416
Total debts and borrowings	873,000	5,161,057
	873,000	5,161,057
Repayable:		
Within one year	873,000	4,187,582
After one year but within two years	—	973,475
After two years but within five years	—	—
	873,000	5,161,057
	873,000	5,161,057

The gearing ratios of the Group is calculated as below:—

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Total debts and borrowings	873,000**	5,161,057
Less: Total cash and bank balances	2,375,300	2,453,880*
Net (cash)/debts	(1,502,300)	2,707,177
Total equity	2,786,593	2,643,310
Total assets	6,568,754	9,592,979
Gearing ratios:		
Net debts over aggregate of net debts and total equity	Net cash	50.6%
Net debts over total assets	Net cash	28.2%

* The amount included cash and bank balances and restricted bank deposits classified as held for sale of approximately HK\$28.5 million and HK\$3.4 million respectively.

** During the year ended 31 December 2020, the Group derecognised certain loans from an intermediate holding company of \$1,329 million on the due dates and transferred them to amounts due to intermediate holding company, which were not settled as at 31 December 2020.

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 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 2020.

As at 31 December 2020, all interest-bearing borrowings of HK\$873 million of the Group were on a fixed rate basis. Accordingly, the Group's cost of borrowing was not subject to interest rate risks. This is the Group's policy to monitor the suitability and cost efficiency of hedging instruments and consider a mix of fixed and floating rate loans in order to manage interest rate risks, if any. 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 2020, the Group had no pledge of its assets.

As at 31 December 2019, the Group pledged certain of its assets to a financial institution in the PRC to secure the loan of approximately HK\$973.5 million granted by that financial institution. The aggregate carrying value of the pledged 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 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had provided guarantees in an aggregate amount of approximately HK\$1.5 million (2019: HK\$25.8 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 24 November 2020, the Group completed the disposal of its equity interest in Parcel C for a cash consideration of US\$270,000,000 ("the Disposal"). Further details of the Disposal have been set out in the Company's announcements dated 30 July 2020, 17 August 2020 and 25 November 2020, the Company's circular dated 29 September 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 2020, the Group had around 526 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 2020 (2019: Nil).

OUTLOOK

The disposal of the Chicago Project completed the Group's monetization of prior overseas property investments. The Group will focus on fee-based business and capitalize on its hotel management expertise where the Group can potentially develop into an industry leader in the PRC. Consistent with such objective, the Company is looking into an opportunity to dispose of its interest in the Guilin Project. Please refer to section headed "Inside Information concerning Possible Disposal of Interest in the Guilin Project" below.

With effective pandemic control measures implemented by the Chinese government, the economy in the PRC rebounded strongly as the government introduced various policies to encourage domestic consumption. As the Pandemic came under control gradually since the second half of the year, we saw a sustained recovery in domestic tourism and business. The overall occupancy rate of hotels in the PRC has bottomed out since the first quarter of 2020 and recovered to approximately 90% of 2019 by the fourth quarter. The Group expects such recovery will continue in 2021 and the Group will seize this opportunity to optimize our brands, products and technology to capture domestic travel demand. Moreover, the Group will continue the expansion of its hotel business and plan to operate and manage 10-15 new hotels in 2021.

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.

OTHER INFORMATION

SHARE OPTIONS SCHEME

The Company did not have any effective share option scheme as at 31 December 2020.

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 2020.

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 2020.

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 27 May 2020 and the special general meeting of the Company held on 16 October 2020; 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 27 May 2020.

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 2020 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 2020 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 2020 will be dispatched to shareholders and published on the aforesaid websites in due course.

INSIDE INFORMATION CONCERNING POSSIBLE DISPOSAL OF INTEREST IN THE GUILIN PROJECT

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

In order to focus on its fee-based business and to capitalise on our hotel management expertise, the Company is currently in discussion with Wanda HK for the disposal to Wanda HK of its 51% interest in the Guilin Project. The terms for such disposal have yet been finalised and the parties are still in discussion, and therefore the disposal may or may not proceed. If the Company proceeds with the disposal, it will constitute a connected transaction and likely a very substantial disposal for the Company under the Listing Rules. In such event, the Company will comply with all applicable Listing Rules requirements. The Company will make further announcement(s) as and when appropriate.

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

Hong Kong, 17 March 2021

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.