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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The Board of Directors (the “Board”) of Wanda Hotel Development Company Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 (the “Period”), together with the comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

(Expressed in Hong Kong Dollars)

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		\$'000	\$'000
			<i>(Restated)</i>
Revenue	5	355,530	415,130
Cost of sales		(187,263)	(166,705)
Gross profit		168,267	248,425
Other income and gains, net	6	53,295	53,973
Net valuation loss on investment properties	11	(25,108)	(34,655)
Selling expenses		(7,201)	(7,368)
Administrative expenses		(61,497)	(82,557)
Finance costs	8	(20,852)	(30,269)
Profit before tax	7	106,904	147,549

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
for the six months ended 30 June 2022
(Expressed in Hong Kong Dollars)

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2022	2021
		\$'000	\$'000
			<i>(Restated)</i>
Income tax expense	9	<u>(28,443)</u>	<u>(28,283)</u>
Profit for the period		<u>78,461</u>	<u>119,266</u>
Attributable to:			
Owners of the parent		63,745	95,358
Non-controlling interests		<u>14,716</u>	<u>23,908</u>
		<u>78,461</u>	<u>119,266</u>
Earnings per share attributable to ordinary equity holders of the parent (HK cents)	<i>10</i>		
Basic and diluted		<u>1.4</u>	<u>2.0</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

(Expressed in Hong Kong Dollars)

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
		(Restated)
Profit for the period	78,461	119,266
Other comprehensive (loss)/income		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(92,348)	47,197
Other comprehensive (loss)/income for the period, net of tax	(92,348)	47,197
Total comprehensive (loss)/income for the period	(13,887)	166,463
Attributable to:		
Owners of the parent	(8,931)	124,972
Non-controlling interests	(4,956)	41,491
	(13,887)	166,463

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022

(Expressed in Hong Kong Dollars)

	<i>Notes</i>	Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000 <i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		158,856	169,972
Investment properties	11	1,469,810	1,563,122
Right-of-use assets		349,610	378,206
Intangible assets		3,416	3,586
Long-term receivable	13	1,759,369	1,694,415
Deferred tax assets		71,645	67,883
Total non-current assets		3,812,706	3,877,184
CURRENT ASSETS			
Inventories		1,494	1,836
Trade and bills receivables	12	231,865	170,295
Contract assets		52,165	62,769
Prepayments, other receivables and other assets	13	78,501	84,524
Income tax recoverable		—	231
Cash and cash equivalents		1,078,287	3,008,545
Total current assets		1,442,312	3,328,200
CURRENT LIABILITIES			
Trade payables, other payables and accruals	14	1,289,498	1,683,341
Contract liabilities		50,620	44,181
Receipts in advance		10,455	11,762
Loans from an intermediate holding company		51,744	873,000
Lease liabilities		20,952	19,690
Income tax payables		45,098	36,298
Total current liabilities		1,468,367	2,668,272
NET CURRENT (LIABILITIES)/ASSETS		(26,055)	659,928
TOTAL ASSETS LESS CURRENT LIABILITIES		3,786,651	4,537,112

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*at 30 June 2022**(Expressed in Hong Kong Dollars)*

	Unaudited	Audited
	30 June	31 December
	2022	2021
<i>Notes</i>	\$'000	\$'000
		<i>(Restated)</i>
NON-CURRENT LIABILITIES		
Contract liabilities	68,304	65,765
Lease liabilities	380,154	404,746
Deferred tax liabilities	185,993	218,980
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Total non-current liabilities	634,451	689,491
	<hr/>	<hr/>
Net assets	3,152,200	3,847,621
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	<i>15</i> 469,735	469,735
Retained earnings	575,756	512,011
Other reserves	1,479,999	1,552,675
	<hr/>	<hr/>
	2,525,490	2,534,421
	<hr/>	<hr/>
Non-controlling interests	626,710	1,313,200
	<hr/>	<hr/>
Total equity	3,152,200	3,847,621
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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.

The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in hotel operation and management, hotel design and construction management services and investment properties leasing in the People’s Republic of China (the “PRC”) during the six months ended 30 June 2022 (the “Period”).

In the opinion of the Company’s directors (the “Directors”), the immediate holding company of the Company is Wanda Commercial Properties Overseas Limited (“Wanda Overseas”), a company established in the British Virgin Islands and the ultimate holding company of the Company is Dalian Hexing Investment Company Limited, a company established in the PRC.

This unaudited interim condensed consolidated financial information has been approved for issue by the board on 17 August 2022.

2. BUSINESS COMBINATION UNDER COMMON CONTROL AND BASIS OF PRESENTATION

Pursuant to an agreement entered into between Wanda Hotel Management Zhuhai Co., Ltd. (“Wanda Hotel Zhuhai”), a subsidiary of the Company and Dalian Wanda Commercial Management Group Co., Ltd. (“Wanda Commercial Management”), an intermediate holding company of the Company, on 11 February 2022, Wanda Hotel Zhuhai has conditionally agreed to acquire the entire issued share capital of Wanda Hotel Design and Research Institute Co., Ltd* (“Hotel Design and Research Institute” or “the Target Company”), an wholly owned subsidiary of Wanda Commercial Management, at nil consideration (the “Business Combination”). The Business Combination was completed on 20 April 2022.

The acquisition of Hotel Design and Research Institute was considered to be a business combination under common control as the Company and the Target Company are under common control of Wanda Commercial Management both before and after the Business Combination. Accordingly, the assets and liabilities of the Target Company have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the acquisition of the Target Company have been restated to include the results of operations and assets and liabilities of the Target Company as if the business acquired had always been part of the Group.

** The English translation is for illustrative purpose only*

The operating results previously reported by the Group for the six months ended 30 June 2021 have been restated to include the operating results of the Target Company as set out below:

	The Group (as previously reported) \$'000	The Target Company \$'000	The Group (as restated) \$'000
Revenue	415,130	–	415,130
Profit/(loss) before tax	147,636	(87)	147,549
Profit/(loss) for the period	119,353	(87)	119,266

The financial positions previously reported by the Group at 31 December 2021 and 1 January 2021 have been restated to include the assets and liabilities of the Target Company as set out below:

31 December 2021

	The Group (as previously reported) \$'000	The Target Company \$'000	The Group (as restated) \$'000
Non-current assets	3,877,184	–	3,877,184
Current assets	3,324,111	4,089	3,328,200
Current liabilities	2,664,705	3,567	2,668,272
Non-current liabilities	689,491	–	689,491
Equity	3,847,099	522	3,847,621

1 January 2021

	The Group (as previously reported) \$'000	The Target Company \$'000	The Group (as restated) \$'000
Non-current assets	3,762,487	–	3,762,487
Current assets	2,806,267	44,308	2,850,575
Current liabilities	3,127,135	36,472	3,163,607
Non-current liabilities	655,026	–	655,026
Equity	2,786,593	7,836	2,794,429

3. BASIS OF PREPARATION, ACCOUNTING POLICIES AND DISCLOSURES

3.1 Basis of preparation

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

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

This interim condensed consolidated financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (“\$’000”), unless otherwise stated.

As at 30 June 2022, the Company has net current liabilities amounting to \$26,055,000 (31 December 2021 restated: net current assets of \$659,928,000). 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. Ltd (“Wanda HK”), an intermediate holding company of the Company, has committed to the Company that the Company and its subsidiaries have full discretion on the repayment of loans and payables to Wanda HK of \$795,905,000 for the next twelve months, such confirmation provided financial assistance to maintain the Company as a going concern and to enable the Company to meet its liabilities as they fall due for the foreseeable future, and therefore the financial statements of the Group have been prepared on a going concern basis.

3. BASIS OF PREPARATION, ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Changes in accounting policies and disclosures

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

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

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

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

3. BASIS OF PREPARATION, ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Changes in accounting policies and disclosures (Continued)

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

3. BASIS OF PREPARATION, ACCOUNTING POLICIES AND DISCLOSURES (Continued)

3.2 Changes in accounting policies and disclosures (Continued)

(d) (Continued)

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. 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) hotel operation and management services;
- (b) hotel design and construction management services; and
- (c) leasing of investment properties held by the Group for long-term investment.

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, which is measured by adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax 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 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 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.

4. OPERATING SEGMENT INFORMATION (Continued)

(i) Segment results, assets and liabilities

Six months ended 30 June 2022 (unaudited)

	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Investment properties leasing \$'000	Total \$'000
Segment revenue: (note 5)				
Sales to external customers	208,740	96,621	50,169	<u>355,530</u>
Segment profit	40,447	25,623	3,911	69,981
<i>Reconciliation:</i>				
Other income and gains, net (note 6)				53,295
Finance costs (other than interest on lease liabilities) (note 8)				(8,584)
Corporate and other unallocated expense				<u>(7,788)</u>
Profit before tax				<u>106,904</u>
As at 30 June 2022 (unaudited)				
Segment assets	637,100	211,363	1,490,391	2,338,854
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>2,916,164</u>
Total assets				<u>5,255,018</u>
Segment liabilities	893,168	129,705	49,805	1,072,678
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>1,030,140</u>
Total liabilities				<u>2,102,818</u>

4. OPERATING SEGMENT INFORMATION (Continued)

(i) Segment results, assets and liabilities (Continued)

Six months ended 30 June 2021 (unaudited and restated)

	Hotel operation and management services \$ '000	Hotel design and construction management services \$ '000	Investment properties leasing \$ '000	Total \$ '000
Segment revenue: (note 5)				
Sales to external customers	262,426	99,694	53,010	415,130
Intersegment sales	—	1,884	—	1,884
	<u>262,426</u>	<u>101,578</u>	<u>53,010</u>	<u>417,014</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(1,884)</u>
Revenue				<u>415,130</u>
Segment profit	79,922	31,339	13,616	124,877
<i>Reconciliation:</i>				
Other income and gains, net (note 6)				53,973
Finance costs (other than interest on lease liabilities) (note 8)				(17,221)
Corporate and other unallocated expense				<u>(14,080)</u>
Profit before tax				<u>147,549</u>
As at 31 December 2021 (audited and restated)				
Segment assets	652,680	178,247	1,596,930	2,427,857
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>4,777,527</u>
Total assets				<u>7,205,384</u>
Segment liabilities	965,994	156,128	57,496	1,179,618
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>2,178,145</u>
Total liabilities				<u>3,357,763</u>

4. OPERATING SEGMENT INFORMATION (Continued)

(ii) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (excluding deferred tax assets) ("specified non-current assets"). The geographical location of revenue from external customers is based on the location 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 location of the assets, in the case of fixed assets, and the location of the operation to which they are allocated.

	Segment revenue from external customers		Specified non-current assets	
	Unaudited Six months ended 30 June		Unaudited 30 June	Audited 31 December
	2022	2021	2022	2021
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
The PRC (including Hong Kong)	355,053	414,936	3,741,061	3,809,301
Overseas	477	194	—	—
	355,530	415,130	3,741,061	3,809,301

5. REVENUE

An analysis of revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
<i>Revenue from contracts with customers</i>		
Hotel management services	152,003	203,910
Hotel design and construction management services	96,621	99,694
Hotel operation income	56,737	58,516
	<hr/>	<hr/>
	305,361	362,120
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating lease:		
Variable rent	2,257	2,827
Base rent	47,912	50,183
	<hr/>	<hr/>
	50,169	53,010
	<hr/>	<hr/>
	355,530	415,130
	<hr/> <hr/>	<hr/> <hr/>
Disaggregated revenue information		
	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Recognised at a point in time		
Hotel operation income from sales of goods, catering services and others	27,744	26,196
Recognised over time		
Hotel operation income from rooms	28,993	32,320
Hotel management services	152,003	203,910
Hotel design and construction management services	96,621	99,694
	<hr/>	<hr/>
Revenue from contracts with customers	305,361	362,120
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6. OTHER INCOME AND GAINS, NET

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
		<i>(Restated)</i>
Bank interest income	14,047	15,144
Interest income on long-term receivable	58,822	54,563
Other interest income from financial assets at fair value through profit or loss	7,114	1,288
Exchange losses, net	(8,430)	(4,846)
(Impairment)/reversal of impairment of financial and contract assets, net:		
— Impairment of trade receivables	(11,141)	(17,376)
— Reversal of impairment of other receivables	141	80
— (Impairment)/reversal of impairment of contract assets	(5,110)	1,094
— Impairment of long-term receivable	(4,829)	—
Others	2,681	4,026
	<u>53,295</u>	<u>53,973</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Cost of goods sold	24,164	23,853
Cost of services provided	163,099	142,852
Depreciation of property, plant and equipment	8,031	6,276
Depreciation of right-of-use assets	16,860	17,164
Lease payments not included in the measurement of lease liabilities	3,645	5,509
	<u>3,645</u>	<u>5,509</u>

8. FINANCE COSTS

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

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Interest on loans from an intermediate holding company	8,584	17,221
Interest on lease liabilities	12,268	13,048
	<hr/>	<hr/>
	20,852	30,269
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2022	2021
	\$'000	\$'000
Current tax — Corporate Income Tax		
— Charge for the period	61,420	44,962
— Overprovision in prior periods	(725)	(676)
Deferred tax	(32,252)	(16,003)
	<hr/>	<hr/>
Total income tax expense for the period	28,443	28,283
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9. INCOME TAX EXPENSE (Continued)

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) Except the income tax provided at the applicable income tax rate of 28.505% (six months ended 30 June 2021: 28.505%) on the assessable profits for Wanda Chicago Real Estate LLC, a subsidiary of the Company registered in the USA, no provision for Hong Kong profits tax or overseas corporate income tax has been made as the Group did not have assessable profits in Hong Kong or overseas during the period.
- (iii) The PRC Corporate Income Tax (“CIT”)

The provision for the PRC CIT has been provided at the applicable income tax rate of 25% (six months ended 30 June 2021: 25%) on the assessable profits of the Group’s subsidiaries in Mainland China, except for the subsidiaries of the Company established in Horgos, Xinjiang Uygur Autonomous region and Zhuhai, Guangdong province, which enjoy PRC corporate income tax exemptions or a preferential tax rate in accordance with the relevant tax rules. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,697,347,000 (six months ended 30 June 2021: 4,697,347,000) in issue during the period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 and 2021 restated.

11. INVESTMENT PROPERTIES

During the Period, the Group has no addition in investment properties (six months ended 30 June 2021: Nil).

Investment properties carried at fair value were revalued as at 30 June 2022 based on valuations performed by an independent qualified valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd. (“Cushman & Wakefield”). Cushman & Wakefield is an industry specialist in investment property valuation, which has the appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions. There were no changes to the valuation techniques during the period. As a result of the revaluation, loss of \$25,108,000 (six months ended 30 June 2021: \$34,655,000) in respect of investment properties has been recognised in the statement of profit or loss for the Period.

12. TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	\$'000	\$'000
		<i>(Restated)</i>
Trade receivables	344,994	277,232
Impairment	(122,795)	(117,048)
	222,199	160,184
Bills receivables	9,666	10,111
	231,865	170,295

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 the hotel operation, receivables are normally settled in advance. However, the Group may offer credit terms to the government and certain corporate clients.

12. TRADE AND BILLS RECEIVABLES (Continued)

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 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:

	Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000 (Restated)
Within 3 months	114,322	82,159
Over 3 months but within 6 months	15,019	7,641
Over 6 months but within 12 months	45,204	26,872
Over 12 months	47,654	43,512
	<u>222,199</u>	<u>160,184</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000 (Restated)
<i>Current portion</i>		
Prepayments	15,745	13,108
Deposits and other receivables	58,759	58,187
Amounts due from related parties	(a) 5,889	3,811
Amount due from intermediate holding companies	(a) 13,409	25,163
	<u>93,802</u>	<u>100,269</u>
Impairment allowance	(b) (15,301)	(15,745)
	<u>78,501</u>	<u>84,524</u>
<i>Non-current portion</i>		
Long-term receivable	(c) 1,783,755	1,713,833
Impairment allowance	(c) (24,386)	(19,418)
	<u>1,759,369</u>	<u>1,694,415</u>

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

- (a) The amounts due from related parties and intermediate holding companies are unsecured, interest-free and repayable on demand.
- (b) The provision for impairment of other receivables is a provision for individually impaired other receivables.

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.

- (c) The long-term receivable amounting to approximately \$1,759,369,000 (equivalent to approximately US\$224,191,000) represented the deferred amount arising from the disposal of the Company's interest in Parcel C LLC ("Parcel C") and the relevant interest generated. The deferred amount is secured by a mortgage on certain condominium units under development of Parcel C. An increase of impairment of long-term receivable of \$4,829,000 was recognised during the Period. Further details of the repayment terms have been set out in the Company's circular dated 29 September 2020.

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

		Unaudited 30 June 2022 \$'000	Audited 31 December 2021 \$'000 (Restated)
Trade payables	(a)	22,809	23,290
Other payables and accruals		237,475	314,280
Interest payable to an intermediate holding company	(b)	73,191	256,589
Amounts due to an intermediate holding company	(c)	670,970	786,930
Amounts due to related parties	(c)	285,053	302,252
		<u>1,289,498</u>	<u>1,683,341</u>

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

- a. The ageing analysis of trade payables, based on the invoice date, is as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	\$'000	\$'000
Within 3 months	22,560	14,814
Over 3 months but within 6 months	—	19
Over 6 months but within 12 months	21	556
Over 12 months	228	7,901
	<hr/> 22,809 <hr/>	<hr/> 23,290 <hr/>

- b. The amount of \$73,191,000 (31 December 2021: \$256,589,000) in interest payable to an intermediate holding company is repayable on demand. The interest payable is unsecured and not subject to compound interests.
- c. The amounts due to an intermediate holding company and related parties are repayable on demand and all these balances are unsecured and interest-free.

15. SHARE CAPITAL AND DIVIDEND

(i) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Dividend

No dividend has been declared in respect of the Period (six months ended 30 June 2021: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

As at the date that these interim condensed consolidated financial information were approved, there is no event after the reporting period which should be disclosed.

17. COMPARATIVE AMOUNTS

As stated in note 2, comparative amounts have been restated to reflect the effects of the Business Combination under common control, as if the Business Combination under common control has been completed at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 June 2022 (the “Period”), the Group’s principal businesses are divided into the following three business segments:—

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

HOTEL BUSINESS

During the Period, 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 provision of services in the management, franchising and operation of hotels, hotel design and construction management services and related consultancy and other ancillary business, with comprehensive capabilities in hotel management and operation.

Hotel Operation and Management Services

During the Period, the Group added nine new hotels under operation and terminated the operation of one hotel. As of 30 June 2022, the hotel network under the Group’s management consisted of 97 hotels with 24,609 rooms in operation covering 78 cities in the PRC and Istanbul of Turkey. Moreover, as at 30 June 2022, there were 199 hotels contracted to be managed by Group 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	• Upscale Full-Service	• A premium hotel brand built upon quality service from superb international standards for business and leisure travelers.

Hotel Brand	Brand Positioning	Service Features
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.
Wanda Yi	• Upscale Living Style	• 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 30 June 2022:—

	Leased-and-Operated Hotels	Managed Hotels	Franchised Hotels	Number of Hotel Room
Wanda Reign	—	4	—	934
Wanda Vista	—	18	—	5,427
Wanda Realm	—	40	2	11,939
Wanda Jin	—	6	2	2,284
Wanda Yi	1	1	—	686
Wanda Moments	3	12	—	1,982
Wanda Yue	—	4	1	879
Others	—	2	1	478
Grand Total	4	87	6	24,609

Leased and operated hotels

As of 30 June 2022, the Group had four leased-and-operated hotels, accounting for approximately 4% of the 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 2 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 30 June 2022, none of our leases were expected to expire this year.

Managed hotels

As of 30 June 2022, we had 87 managed hotels, accounting for approximately 90% of all of the hotels in operation under our management. Under the managed hotel model, we license our relevant brand to hotel owners, manage hotels through the on-site hotel management team 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 30 June 2022, we had six franchised hotels, accounting for approximately 6% of all of the hotels in operation under our management. 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 daily revenue per available room and is calculated as the product of average occupancy rates and average daily rates per room achieved. Factors which may cause changes in the occupancy rates of our hotels include the locations, the product and service offerings, 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 relevant hotels primarily based on the location of the relevant hotel, room rates charged by our competitors within the same locality and our relative brand and product strength in the city or city cluster and will adjust the rates according to the fluctuation of market situation.

The following table sets forth our RevPAR, average daily room rate and occupancy rate for our hotels during the Period:—

	For Six Months Ended	
	30 June	
	2022	2021
Occupancy rate (%)		
All hotels	39.0%	48.7%
Upscale and above hotels	38.3%	48.1%
Midscale hotels	44.3%	56.2%
Average daily rate (RMB)		
All hotels	434	550
Upscale and above hotels	462	573
Midscale hotels	254	295
RevPAR (RMB)		
All hotels	169	268
Upscale and above hotels	177	276
Midscale hotels	113	166

The following table sets forth our RevPAR, average daily room rate and occupancy rate for our hotels during the Period in terms of operational model:—

	For Six Months Ended	
	30 June	
	2022	2021
Occupancy rate (%)		
All hotels	39.0%	48.7%
Leased-and-operated hotels	57.8%	66.2%
Managed hotels	38.3%	48.3%
Franchised hotels	35.4%	37.6%
Average daily rate (RMB)		
All hotels	434	550
Leased-and-operated hotels	228	259
Managed hotels	451	564
Franchised hotels	366	448
RevPAR (RMB)		
All hotels	169	268
Leased-and-operated hotels	132	171
Managed hotels	173	273
Franchised hotels	130	169

During the Period, the RevPAR decreased by approximately 36.9% to approximately RMB169, as compared to approximately RMB268 in the corresponding period in 2021. The decrease in RevPAR was primarily due to the resurgence of COVID-19 coronavirus pandemic (the “Pandemic”) in the second quarter of the year, and the stringent lockdowns and travel restrictions as imposed in the PRC, which led the occupancy rate of the hotels managed by the Group to drop to a low level in the second quarter of the year.

Hotel Design and Construction Management Services

The Group’s hotel design and construction management 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 areas design services) and charges 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 calculated as a percentage of the total relevant project costs.

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.

FINANCIAL REVIEW

Revenue

The Group’s revenue for the Period decreased by approximately 14.4% to approximately HK\$355.5 million from approximately HK\$415.1 million in the corresponding period in 2021 and can be analyzed as follows:—

	Unaudited		Changes	
	Six months ended 30 June		HK\$’000	%
	2022	2021		
	HK\$’000	HK\$’000		
Hotel operation and management services	208,740	262,426	(53,686)	(20.5)
Hotel design and construction management services	96,621	99,694	(3,073)	(3.1)
Investment properties leasing	50,169	53,010	(2,841)	(5.4)
Total	355,530	415,130	(59,600)	(14.4)

Hotel operation and management services revenue dropped to approximately HK\$208.7 million for the Period as compared to approximately HK\$262.4 million for the corresponding period in 2021. Such revenue decline was primarily due to the overall decrease in RevPAR by approximately 36.9% to approximately RMB169 for the Period from approximately RMB268 in the corresponding period in 2021. The resurgence of the Pandemic and the ensued stringent travel restrictions and lockdowns imposed in the PRC led to such decline in RevPAR. Hotel management fee revenue for the Period decreased by approximately 25.5% to approximately HK\$152 million from approximately HK\$203.9 million for the corresponding period in 2021 since the RevPAR for managed hotels fell to RMB173 during the Period, representing 36.6%

year-over-year decrease, and it adversely affected the management fee chargeable to our clients since a significant portion of such fee was calculated based on the hotel revenue. Hotel operation revenue for the Period fell slightly by approximately 3% to approximately HK\$56.7 million. Such decrease was primarily due to a decline of RevPAR for leased-and-operated hotels to RMB132 for the Period, representing a year-over-year decrease of approximately 22.8%. Such adverse impact from the RevPAR was partially offset since some of the leased-and-operated hotels were designated as quarantine hotels by the authorities.

Hotel design and construction management services revenue for the Period decreased slightly to approximately HK\$96.6 million as compared to approximately HK\$99.7 million for the corresponding period in 2021, mainly due to slowdown of work progress caused by delays in construction works as a result of the resurgence of the Pandemic.

Investment properties leasing revenue decreased to approximately HK\$50.2 million for the Period from approximately HK\$53 million for the corresponding period in 2021. Such revenue decrease was mainly due to decrease in the base rent portion of the rental income from the Guilin Project. This was caused by a slight decline in the rental rate for the renewed lease resulting from the weaker-than-expected leasing activities following the resurgence of the Pandemic.

Cost of sales

Cost of sales of the Group rose by 12.3% to approximately HK\$187.3 million for the Period from approximately HK\$166.7 million for the corresponding period in 2021. Such increase was primarily due to i) the majority of the cost of sales of hotel business was fixed in nature such as staff costs and ii) a management fee of approximately HK\$12.7 million paid during the Period in relation to the entrusted management services provided by Zhuhai Wanda Commercial Management Group Co., Ltd. (“Zhuhai Wanda”) to the Guilin Project. For the details of such management fees, please refer to the Company’s announcement dated 24 August 2021.

Gross profit and gross profit margin

The gross profit and the gross profit margin fell to approximately HK\$168.3 million and 47.3% respectively for the Period from approximately HK\$248.4 million and 59.8% for the corresponding period in 2021. The decline in gross profit and its margin was primarily attributed to approximately HK\$12.7 million in management fees in relation to the entrusted management services provided by Zhuhai Wanda to the Guilin Project during the Period. Moreover, the fixed nature of direct staff costs incurred in the hotel business means such costs could not be reduced at the same magnitude as the revenue decreased for the Period.

Net valuation loss on investment properties

Net valuation loss on investment properties of the Group decreased to approximately HK\$25.1 million for the Period, as compared to approximately HK\$34.7 million for the corresponding period in 2021.

Segment results

The following table illustrates the segment results of the Group for the Period and the corresponding period in 2021 respectively:—

	Unaudited		Changes	
	2022	2021	HK\$ '000	%
	HK\$ '000	HK\$ '000		
		(Restated)		
Hotel operation and management services	40,447	79,922	(39,475)	(49.4)
Hotel design and construction management services	25,623	31,339	(5,716)	(18.2)
Investment properties leasing	3,911	13,616	(9,705)	(71.3)
Total	69,981	124,877	(54,896)	(44.0)

The measure used for reporting segment results is adjusted profit before tax.

Hotel operation and management services segment profit dropped to approximately HK\$40.4 million for the Period from approximately HK\$79.9 million for the corresponding period in 2021. The decline in segment profit was primarily due to i) a decrease in segment revenue as elaborated in the section headed “Revenue” above and ii) segment cost only decreased by approximately 7.8% on a year-over-year basis since it consisted mainly of fixed costs such as hotel staff salaries and wages which could not be reduced with the reduced revenue.

Hotel design and construction management services segment profit for the Period decreased to approximately HK\$25.6 million from approximately HK\$31.3 million for the corresponding period in 2021. The decrease in segment profit was mainly caused by an increase in the staff cost resulting from the headcount previously increased to meet new project requirements which could not be reduced despite the slowdown of work progress as abovementioned.

Investment properties leasing segment profit decreased sharply to approximately HK\$3.9 million for the Period from approximately HK\$13.6 million for the corresponding period in 2021. The decline in segment profit was primarily due to i) a decrease in segment revenue as elaborated in the section headed “Revenue” above; ii) an increase in segment cost as a result of a management fee incurred during the Period of approximately HK\$12.7 million in relation to the entrusted management services provided by Zhuhai Wanda; but offset by iii) decrease of valuation loss as abovementioned.

Other income and gains, net

The Group's net other income and gains decreased slightly to approximately HK\$53.3 million for the Period from approximately HK\$54 million for the corresponding period in 2021, mainly due to:—

- (i) impairment of contract assets provided for the Period amounting to approximately HK\$5.1 million, as compared to reversal of impairment of contract assets of approximately HK\$1.1 million for the corresponding period in 2021, after an impairment analysis performed by the management by reference to the credit risk characteristics of such contract assets;
- (ii) impairment of long-term receivable in relation to the deferred amount from the Chicago project disposal, which closed in November 2020, amounting to approximately HK\$4.8 million for the Period. Such impairment was estimated by an independent qualified valuer, Cushman & Wakefield Limited. After performing of expected credit loss (“ECL”) analysis on the long-term receivable as required by HKFRS 9. The ECL analysis considered the macroeconomy of USA, credit analysis of the target company, default rate and recovery rate of the corporate bonds in the market and the coverage of the collateral assets within the long-term receivable. For further details of the Chicago project disposal and the repayment terms of the long-term receivable, please refer to the company announcement dated 30 July 2020, 17 August 2020 and 25 November 2020 and the Company's circular dated 29 September 2020;
- (iii) impairment of trade receivables provided for the Period amounting to approximately HK\$11.1 million (six months ended 30 June 2021: HK\$17.4 million) after an impairment analysis performed by the management by reference to the credit risk characteristics of trade receivables as at 30 June 2022;
- (iv) net exchange loss increased to approximately HK\$8.4 million for the Period from approximately HK\$4.8 million for the corresponding period in 2021 as a result of fluctuation in foreign exchanges during the Period but offset by;
- (v) increase in interest income in relation to the deferred amount from the Chicago project disposal to approximately HK\$58.8 million for the Period from approximately HK\$54.6 million for the corresponding period in 2021; and
- (vi) increase in other interest income from financial assets at fair value through profit or loss to approximately HK\$7.1 million for the Period from approximately HK\$1.3 million for the corresponding period in 2021.

Selling and administrative expenses

Selling and administrative expenses decreased to approximately HK\$68.7 million for the Period from approximately HK\$89.9 million for the corresponding period in 2021. The ratio of selling and administrative expenses over revenue decreased to 19.3% for the Period from 21.7% for the corresponding period in 2021, primarily attributable to vigorous cost-monitoring measures implemented by the Group to cope with the volatile business environment as a result of the resurgence of the Pandemic.

Finance costs

Finance costs decreased to approximately HK\$20.9 million for the Period from approximately HK\$30.3 million for the corresponding period in 2021, primarily due to partial repayment of loans from an intermediate holding company during the Period.

Income tax expense

The Group reported an income tax expense of approximately HK\$28.4 million for the Period, as compared to approximately HK\$28.3 million for the corresponding period in 2021.

Profit for the period and profit attributable to equity holders of the Company

As a result of the foregoing, the following illustrates the Group's profit for the period and profit attributable to equity holders of the Company during the Period and the six months ended 30 June 2021 respectively:—

	Unaudited		
	Six months ended 30 June		
	2022	2021	Changes
	HK\$'000	HK\$'000	HK\$'000
		(Restated)	
Profit attributable to:—			
— Owners of the parent	63,745	95,358	(31,613)
— Non-controlling interests	14,716	23,908	(9,192)
Profit for the period	78,461	119,266	(40,805)

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:—

	Unaudited	Audited
	30 June	31 December
	2022	2021
	HK\$ million	HK\$ million
		(Restated)
Total assets	5,255.0	7,205.4
Total liabilities	2,102.8	3,357.8
Net assets	3,152.2	3,847.6
Equity attributable to equity holders of the parent	2,525.5	2,534.4

Liquidity, borrowing and financial resources

As at 30 June 2022, the Group's cash amounted to approximately HK\$1,078.3 million as compared with approximately HK\$3,008.5 million as at 31 December 2021. Below set out the analysis of cash by currency type:—

	Unaudited 30 June 2022 <i>(% of total cash)</i>	Audited 31 December 2021 <i>(% of total cash)</i> <i>(Restated)</i>
Renminbi ("RMB")	89	96
Australia Dollar	8	3
United States Dollar ("USD")	2	1
Hong Kong Dollar	1	—
	<hr/> 100 <hr/>	<hr/> 100 <hr/>

As at 30 June 2022, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 1.0 as compared with 1.2 as at 31 December 2021.

The maturity profile of total debts of the Group is set out as below:—

	Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
Total Debts		
Interest bearing and repayable within one year:		
Loan from an intermediate holding company	51,744	873,000
	<hr/> 51,744 <hr/>	<hr/> 873,000 <hr/>

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

	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 <i>HK\$'000</i> (Restated)
Total debts	51,744	873,000
Less: Total cash and bank balances	1,078,287	3,008,545
Net cash	1,026,543	2,135,545
Total equity	3,152,200	3,847,621
Total assets	5,255,018	7,205,384
Gearing ratios:		
Net debts over aggregate of net debts and total equity	Net cash	Net cash
Net debts over total assets	Net cash	Net cash

Foreign currency and interest rate exposure

During the Period, the Group's business is principally conducted in RMB. The functional currency of the Group's subsidiaries in the PRC is RMB and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The Group is exposed to currency risk primarily through the long-term receivable and the amount payable to an intermediate holding company that are denominated in USD. The Group maintains a conservative approach to foreign exchange exposure management. During the Period, 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 30 June 2022.

As at 30 June 2022, the interest-bearing loan of approximately HK\$51.7 million of the Group was 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 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 30 June 2022, the Group had no pledge of its assets (31 December 2021: Nil).

CHANGES IN SHARE CAPITAL

There are no changes in the Company's share capital during the Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had provided guarantees in an aggregate amount of approximately HK\$1.0 million (31 December 2021: HK\$1.7 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

The Group had no material acquisition or disposal of subsidiaries and associated companies during the Period.

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 30 June 2022, the Group had around 624 full time employees, who are located in the PRC, Hong Kong and the USA.

During the Period, 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, subsidized educational and training programs.

INTERIM DIVIDEND

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

OUTLOOK

With the abating of the Pandemic, we expect domestic lockdowns and travel restrictions will ease gradually which may result in the recovery of domestic tourism and hotel business. The Group will seize this opportunity to optimize our brands, products and technology to capture domestic travel demand which is expected to improve the operating performance of the hotels managed by the Group. Moreover, the Group will continue the expansion of its hotel business and adhere to its plan to open 10 to 15 new hotels in 2022.

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 30 June 2022.

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 Period.

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 of 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 required standard as set out in the Model Code during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

The Company has complied with the Corporate Governance Code (the "Code") as stipulated in Appendix 14 of the Listing Rules during the Period.

REVIEW OF INTERIM 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 for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. 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 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 Period and has discussed the financial related matters with the Company's management and external auditors.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on both the websites of the Company (www.wanda-hotel.com.hk) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the Period will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
Wanda Hotel Development Company Limited
Ning Qifeng
Chairman

Hong Kong, 17 August 2022

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