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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 2022
AND
PROPOSED ADOPTION OF THE AMENDED AND
RESTATED BYE-LAWS**

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 (collectively, the “Group”) for the year ended 31 December 2022, with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Notes	2022 \$'000	2021 \$'000 (Restated)
Revenue	5	816,780	873,659
Cost of sales		<u>(473,474)</u>	<u>(411,733)</u>
Gross profit		343,306	461,926
Other income and gains, net	6	128,139	211,864
Net valuation loss on investment properties		(24,549)	(53,049)
Selling expenses		(18,112)	(17,117)
Administrative expenses		(96,640)	(158,088)
Finance costs	8	(33,353)	(54,612)
Share of profits of joint ventures		<u>240</u>	<u>–</u>
Profit before tax		299,031	390,924
Income tax expense	9	<u>(66,055)</u>	<u>(139,664)</u>
Profit for the year		<u>232,976</u>	<u>251,260</u>
Attributable to:			
Owners of the parent	10	193,242	233,070
Non-controlling interests		<u>39,734</u>	<u>18,190</u>
		<u>232,976</u>	<u>251,260</u>
Earnings per share attributable to ordinary equity holders of the parent (HK cents)	10		
Basic and diluted		<u>4.1</u>	<u>5.0</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	2022 \$'000	2021 \$'000 (Restated)
Profit for the year	<u>232,976</u>	<u>251,260</u>
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	<u>(211,579)</u>	<u>115,736</u>
Other comprehensive (loss)/income for the year, net of tax	<u>(211,579)</u>	<u>115,736</u>
Total comprehensive income for the year	<u>21,397</u>	<u>366,996</u>
Attributable to:		
Owners of the parent	32,927	306,604
Non-controlling interests	<u>(11,530)</u>	<u>60,392</u>
	<u>21,397</u>	<u>366,996</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Expressed in Hong Kong dollars)

	Notes	2022 \$'000	2021 \$'000 (Restated)
Non-current assets			
Property, plant and equipment		147,140	169,972
Investment properties		1,407,212	1,563,122
Right-of-use assets	11(a)	323,441	378,206
Intangible assets		10,088	3,586
Investments in joint ventures		230	–
Long-term receivable	13	1,783,937	1,694,415
Deferred tax assets		79,064	67,883
		<u>3,751,112</u>	<u>3,877,184</u>
Total non-current assets			
Current assets			
Inventories		207	1,836
Trade and bills receivables	12	214,665	170,295
Contract assets		100,157	62,769
Prepayments, other receivables and other assets	13	112,733	84,524
Income tax recoverable		1,410	231
Restricted bank balance		13,210	–
Cash and cash equivalents		1,067,711	3,008,545
		<u>1,510,093</u>	<u>3,328,200</u>
Total current assets			
Current liabilities			
Trade payables, other payables and accruals	14	1,303,500	1,683,341
Contract liabilities		62,401	44,181
Receipts in advance		7,360	11,762
Loans from an intermediate holding company		11,404	873,000
Lease liabilities	11(b)	31,808	19,690
Income tax payables		60,091	36,298
		<u>1,476,564</u>	<u>2,668,272</u>
Total current liabilities			
Net current assets		<u>33,529</u>	<u>659,928</u>
Total assets less current liabilities		<u><u>3,784,641</u></u>	<u><u>4,537,112</u></u>

		2022	2021
	<i>Notes</i>	\$'000	\$'000
			(Restated)
Non-current liabilities			
Contract liabilities		65,835	65,765
Lease liabilities	<i>11(b)</i>	356,189	404,746
Deferred tax liabilities		175,134	218,980
		<u>597,158</u>	<u>689,491</u>
Total non-current liabilities		597,158	689,491
NET ASSETS			
		3,187,483	3,847,621
Equity			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	469,735	469,735
Retained earnings		678,436	512,011
Other reserves		1,419,177	1,552,675
		<u>2,567,348</u>	<u>2,534,421</u>
Non-controlling interests		620,135	1,313,200
TOTAL EQUITY		3,187,483	3,847,621

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. 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.

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 operating results previously reported by the Group for the year ended 31 December 2021 have been restated to include the operating results of the Target Company as set out below:

	The Group (as previously reported)	The Target Company	The Group (as restated)
	<i>\$’000</i>	<i>\$’000</i>	<i>\$’000</i>
Revenue	873,659	–	873,659
Profit/(loss) before tax	398,360	(7,436)	390,924
Profit/(loss) for the year	258,696	(7,436)	251,260

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) <i>\$'000</i>	The Target Company <i>\$'000</i>	The Group (as restated) <i>\$'000</i>
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) <i>\$'000</i>	The Target Company <i>\$'000</i>	The Group (as restated) <i>\$'000</i>
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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 the impact of the revised HKFRSs that are applicable to the Group 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 (the “Conceptual Framework”) 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 year, the amendments did not have any impact on the financial position and performance of the Group.
- (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 as determined by HKAS 2 *Inventories*, 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 prior to the property, plant and equipment being available for use, 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

For management purposes, 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 expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, income tax recoverable, restricted bank balance, 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 payable 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 2022

	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	536,424	182,165	98,191	<u>816,780</u>
Segment profit	130,917	33,850	34,591	199,358
<i>Reconciliation:</i>				
Other income and gains, net (note 6)				128,139
Finance costs (other than interest on lease liabilities) (note 8)				(9,535)
Corporate and other unallocated expenses				<u>(18,931)</u>
Profit before tax				<u>299,031</u>
Segment assets	638,642	238,061	1,427,116	2,303,819
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>2,957,386</u>
Total assets				<u>5,261,205</u>
Segment liabilities	885,709	151,454	42,165	1,079,328
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>994,394</u>
Total liabilities				<u>2,073,722</u>

Other segment information

Year ended 31 December 2022

	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Investment properties leasing \$'000	Total \$'000
Impairment losses recognised in the statement of profit or loss, net: (note 6)				
– Segment assets	1,308	14,865	127	16,300
– Unallocated assets				<u>29,525</u>
				<u><u>45,825</u></u>
Depreciation and amortisation (note 7)				
– Segment assets	46,570	430	142	47,142
– Unallocated assets				<u>1,609</u>
				<u><u>48,751</u></u>
Capital expenditure*				
– Segment assets	12,610	975	–	13,585
– Unallocated assets				<u>1</u>
				<u><u>13,586</u></u>

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

Year ended 31 December 2021 (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	565,478	200,916	107,265	873,659
Intersegment sales	—	341	—	341
	565,478	201,257	107,265	874,000
<i>Reconciliation:</i>				
Elimination of intersegment sales				(341)
Revenue				<u>873,659</u>
Segment profit				
	167,471	37,751	30,542	235,764
<i>Reconciliation:</i>				
Other income and gains, net (note 6)				211,864
Finance costs (other than interest on lease liabilities) (note 8)				(34,824)
Corporate and other unallocated expenses				(21,880)
Profit before tax				<u>390,924</u>
Segment assets				
	652,680	178,247	1,596,930	2,427,857
<i>Reconciliation:</i>				
Corporate and other unallocated assets				4,777,527
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				2,178,145
Total liabilities				<u>3,357,763</u>

Other segment information

Year ended 31 December 2021 (restated)

	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Investment properties leasing \$'000	Total \$'000
Impairment losses recognised in the statement of profit or loss, net: (note 6)				
– Segment assets	(1,246)	67,591	4	66,349
– Unallocated assets				<u>19,361</u>
				<u><u>85,710</u></u>
Depreciation and amortisation (note 7)				
– Segment assets	41,465	291	94	41,850
– Unallocated assets				<u>1,797</u>
				<u><u>43,647</u></u>
Capital expenditure*				
– Segment assets	29,911	575	–	30,486
– Unallocated assets				<u>6</u>
				<u><u>30,492</u></u>

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

Geographical information

The following table sets out information about the geographical locations 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 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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
The PRC (including Hong Kong)	813,698	873,659	3,672,048	3,809,301
Overseas	3,082	—	—	—
	<u>816,780</u>	<u>873,659</u>	<u>3,672,048</u>	<u>3,809,301</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:

	2022 \$'000	2021 \$'000
Customer A	183,527	272,858
Customer B	116,267	167,984
	<u>299,794</u>	<u>440,842</u>

5. REVENUE

An analysis of revenue is as follows:

	2022 \$'000	2021 \$'000
Revenue from contracts with customers		
Hotel management services	371,624	423,392
Hotel design and construction management services	182,165	200,916
Hotel operation income	<u>164,800</u>	<u>142,086</u>
	718,589	766,394
Revenue from other sources		
Gross rental income from investment properties operating leases:		
Variable rent	3,950	6,599
Base rent	<u>94,241</u>	<u>100,666</u>
	<u>98,191</u>	107,265
	<u>816,780</u>	<u>873,659</u>

(i) Disaggregated revenue information for revenue from contracts with customers

	2022 \$'000	2021 \$'000
Recognised at a point in time		
Hotel operation income from sales of goods, catering services and others	102,267	77,806
Recognised over time		
Hotel operation income from rooms	62,533	64,280
Hotel management service revenue from management contracts	356,689	423,392
Hotel management service revenue from hotel staff provision services	14,935	–
Hotel design and construction management services	<u>182,165</u>	<u>200,916</u>
Revenue from contracts with customers	<u>718,589</u>	<u>766,394</u>

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:

	2022 \$'000	2021 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	335	285
Loyalty programme management services	18,144	15,343
Hotel management services	14,891	12,104
Hotel design and construction management services	8,686	5,626
Others	632	363
	<u>42,688</u>	<u>33,721</u>

(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.

Hotel staff provision services

The performance obligation is satisfied as services are rendered and payment is generally due within 10 days from the date of billing.

Loyalty programme management services

The performance obligation is satisfied as members' points are used or expire, and the payment from hotels who participate 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 2022 and 2021 are as follows:

	As at 31 December	
	2022	2021
	\$'000	\$'000
Amounts expected to be recognised as revenue:		
Within one year	155,671	155,529
After one year	110,244	117,103
	265,915	272,632

6. OTHER INCOME AND GAINS, NET

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

	2022	2021
	\$'000	\$'000
		(Restated)
Bank interest income	21,726	52,748
Interest income on long-term receivable	119,323	111,239
Other interest income from financial assets at fair value through profit or loss	8,375	3,787
Exchange gain/(loss), net	6,753	(12,046)
(Impairment)/reversal of impairment of financial and contract assets, net:		
– Impairment of trade receivables (<i>note 12</i>)	(10,114)	(59,809)
– Reversal of impairment of other receivables (<i>note 13(b)</i>)	93	17
– Impairment of contract assets	(6,279)	(6,557)
– Impairment of long-term receivable (<i>note 13 (c)</i>)	(29,525)	(19,361)
Other income due to breach of contracts by customers	1,505	142,535
Government grants	13,680	–
Others	2,602	(689)
	128,139	211,864

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	2022 \$'000	2021 <i>\$'000</i>
Cost of goods sold		92,196	66,122
Cost of services provided		341,276	319,267
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		40,002	26,344
		473,474	411,733
Depreciation of property, plant and equipment		14,173	10,406
Depreciation of right-of-use assets	<i>11(c)</i>	32,928	32,922
Amortisation of intangible assets		1,650	319
Lease payments not included in the measurement of lease liabilities	<i>11(c)</i>	6,829	7,084
Decrease in fair value of investment properties		24,549	53,049
Auditor's remuneration			
– Annual audit services		1,169	1,145
– Non-audit services		525	861
Employee benefit expense (excluding directors' remuneration)			
– Salaries, wages and other benefits		78,894	109,414
– Contributions to defined contribution retirement plans		6,574	4,474
		85,468	113,888

8. FINANCE COSTS

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

	2022 \$'000	2021 <i>\$'000</i>
Interest on loans from an intermediate holding company	9,535	34,824
Interest on lease liabilities (<i>note 11(b)</i>)	23,818	19,788
	33,353	54,612

9. INCOME TAX

	2022 \$'000	2021 \$'000
Current tax		
Corporate Income Tax (<i>note (iii)</i>)		
– Charge for the year	106,801	134,661
– Underprovision/(overprovision) in prior years	1,291	(5,562)
Deferred tax	<u>(42,037)</u>	<u>10,565</u>
Total income tax expense for the year	<u><u>66,055</u></u>	<u><u>139,664</u></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) Except for the income tax provided at the applicable income tax rate of 28.505% (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 for the year.
- (iii) Corporate Income Tax (“CIT”)

The provision for the PRC CIT has been made at the applicable income tax rate of 25% (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, which enjoy PRC corporate income tax exemptions in accordance with the relevant tax rules, and the subsidiary of Company established in Zhuhai, Guangdong province enjoy preferential tax rate of 15% and certain subsidies are subject to preferential tax rates for small – scale taxpayers. Taxes on profits assessable elsewhere have been calculated at the rate 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,697,347,000 (2021: 4,697,347,000) in issue during the year.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2022 (2021: Nil).

11. LEASES

The Group as a lessee

The Group has lease contracts for various items of office, hotel buildings 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 machinery generally has lease terms between 2 and 3 years. Other office space, equipment and warehouse generally have 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:

	Offices \$'000	Hotel buildings \$'000	Machinery \$'000	Total \$'000
As at 1 January 2021	30,951	378,475	301	409,727
Additions	598	–	679	1,277
Effect of lease modification	(3,895)	–	–	(3,895)
Depreciation charge	(8,878)	(23,589)	(455)	(32,922)
Exchange realignment	729	3,289	1	4,019
As at 31 December 2021 and 1 January 2022	19,505	358,175	526	378,206
Additions	8,795	–	–	8,795
Depreciation charge	(9,023)	(23,483)	(422)	(32,928)
Exchange realignment	(1,264)	(29,342)	(26)	(30,632)
As at 31 December 2022	<u>18,013</u>	<u>305,350</u>	<u>78</u>	<u>323,441</u>

(b) Lease liabilities

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

	2022 \$'000	2021 \$'000
Carrying amount at 1 January	424,436	441,773
New leases	8,795	1,277
Accretion of interest recognised during the year (<i>note 8</i>)	23,818	19,788
Payments	(32,182)	(35,679)
Effect of lease modification	–	(4,990)
Exchange realignment	(36,870)	2,267
	<u>387,997</u>	<u>424,436</u>
Carrying amount at 31 December	<u>387,997</u>	<u>424,436</u>
Analysed into:		
Current portion	31,808	19,690
Non-current portion	<u>356,189</u>	<u>404,746</u>
	<u>387,997</u>	<u>424,436</u>

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

	2022 \$'000	2021 \$'000
Interest on lease liabilities	23,818	19,788
Depreciation charge of right-of-use assets (<i>note 7</i>)	32,928	32,922
Expense relating to short-term leases and other leases (included in cost of sales and administrative expenses) (<i>note 7</i>)	6,777	6,898
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses) (<i>note 7</i>)	52	186
	<u>63,575</u>	<u>59,794</u>
Total amount recognised in profit or loss	<u>63,575</u>	<u>59,794</u>

The Group as a lessor

The Group leases its investment properties in Guilin under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was \$98,191,000 (2021: \$107,265,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 \$'000	2021 \$'000
Within one year	68,676	92,974
After one year but within two years	45,532	64,158
After two years but within three years	30,853	39,411
After three years but within four years	21,213	28,052
After four years but within five years	18,031	19,367
After five years	71,837	92,520
	<u>256,142</u>	<u>336,482</u>

12. TRADE AND BILLS RECEIVABLES

	2022 \$'000	2021 \$'000 (Restated)
Trade receivables	325,706	277,232
Impairment	<u>(116,742)</u>	<u>(117,048)</u>
	208,964	160,184
Bills receivables	<u>5,701</u>	<u>10,111</u>
	<u>214,665</u>	<u>170,295</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:

	2022	2021
	\$'000	\$'000
		(Restated)
Within 3 months	101,658	82,159
Over 3 months but within 6 months	15,350	7,641
Over 6 months but within 12 months	15,682	26,872
Over 12 months	76,274	43,512
	<u>208,964</u>	<u>160,184</u>

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

	2022	2021
	\$'000	\$'000
		(Restated)
At 1 January	117,048	54,702
Impairment during the year, net (<i>note 6</i>)	10,114	59,809
Exchange realignment	(10,420)	2,537
	<u>116,742</u>	<u>117,048</u>

The increase in the loss allowance was due to certain outstanding contractual amounts which were considered as 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 makes provision on the individual basis, otherwise, management uses a provision matrix to measure expected credit losses for the rest of the 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 2022, the trade receivables amounting to \$102,196,000 (2021: \$105,377,000) were assessed individually and considered to be unlikely for the Group to receive the outstanding contractual amounts and were 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 of the portion of the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Current	Past due			Over 12 months	Total
		Less than 3 months	3 to 6 months	6 to 12 months		
Expected credit loss rate	0.814%	1.537%	2.200%	3.311%	22.056%	6.508%
Gross carrying amount (\$'000)	102,464	15,554	13,863	37,567	54,062	223,510
Expected credit losses (\$'000)	834	239	305	1,244	11,924	14,546

As at 31 December 2021 (restated)

	Current	Past due			Over 12 months	Total
		Less than 3 months	3 to 6 months	6 to 12 months		
Expected credit loss rate	0.686%	0.715%	0.942%	2.310%	30.728%	6.791%
Gross carrying amount (\$'000)	83,846	7,697	11,672	35,755	32,885	171,855
Expected credit losses (\$'000)	575	55	110	826	10,105	11,671

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Notes</i>	2022 \$'000	2021 \$'000 (Restated)
Current portion			
Prepayments		37,251	13,108
Deposits and other receivables		70,249	58,187
Amounts due from related parties	<i>a</i>	5,315	3,811
Amounts due from intermediate holding companies	<i>a</i>	<u>14,982</u>	<u>25,163</u>
		127,797	100,269
Impairment allowance	<i>b</i>	<u>(15,064)</u>	<u>(15,745)</u>
		<u>112,733</u>	<u>84,524</u>
Non-current portion			
Long-term receivable	<i>c</i>	1,832,874	1,713,833
Impairment allowance	<i>c</i>	<u>(48,937)</u>	<u>(19,418)</u>
		<u>1,783,937</u>	<u>1,694,415</u>

(a) The amounts due from related parties and intermediate holding companies are unsecured, interest-free and repayable on demand.

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

	2022 \$'000	2021 \$'000 (Restated)
At 1 January	15,745	15,528
Impairment during the year reversed in profit or loss, net (note 6)	(93)	(17)
Exchange realignment	<u>(588)</u>	<u>234</u>
At 31 December	<u>15,064</u>	<u>15,745</u>

The above 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 \$1,832,874,000 (equivalent to approximately US\$235,078,000) 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 \$29,525,000 was recognised during the year. Further details of the repayment terms have been set out in the Company's circular dated 29 September 2020.

The movements in provision for impairment of long-term receivable during the year are as follows:

	2022	2021
	\$'000	\$'000
At 1 January	19,418	–
Impairment during the year recognised (<i>note 6</i>)	29,525	19,361
Exchange realignment	(6)	57
	<hr/>	<hr/>
At 31 December	<u>48,937</u>	<u>19,418</u>

14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

		2022	2021
	<i>Notes</i>	\$'000	\$'000
			(Restated)
Trade payables	<i>a</i>	23,479	23,290
Other payables and accruals		254,864	314,280
Interest payable to an intermediate holding company	<i>b</i>	71,350	256,589
Amounts due to an intermediate holding company	<i>c</i>	665,734	786,930
Amounts due to related parties	<i>c</i>	288,073	302,252
		<hr/>	<hr/>
		<u>1,303,500</u>	<u>1,683,341</u>

Notes:

- a. None of the Group's trade payables are expected to be settled after more than one year (2021: Nil).

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

	2022	2021
	\$'000	\$'000
Within 3 months	15,099	14,814
Over 3 months but within 6 months	2,899	19
Over 6 months but within 12 months	11	556
Over 12 months	5,470	7,901
	<u>23,479</u>	<u>23,290</u>

- b. The amount of \$71,350,000 (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 interest.
- 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

	2022	2021
	\$'000	\$'000
Issued and fully paid:		
4,697,346,488 (2021: 4,697,346,488) ordinary shares	<u>469,735</u>	<u>469,735</u>

(ii) Dividend

The directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

16. CONTINGENT LIABILITIES

(a) Financial guarantees

	2022	2021
	<i>\$'000</i>	<i>\$'000</i>
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	<u>1,057</u>	<u>1,692</u>

The Group has provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end after the execution of individual purchasers' collateral agreements.

The financial guarantee contracts are measured at the higher of the ECL allowance and the amount initially recognised less the cumulative amount of income recognised. The ECL allowance is measured by estimating the cash shortfalls, which are based on the expected payments to reimburse the holders for a credit loss that it incurs less any amounts that the Group expects to receive from the purchasers. The amount initially recognised representing the fair value at initial recognition of the financial guarantees was not significant. The Group did not incur any material losses during the financial period in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore, no ECL allowance has been made in connection with the guarantees.

(b) Litigation

In August 2022, a plaintiff, a hotel owner who had engaged a subsidiary of the Group to provide hotel management services, commenced a legal proceeding against the subsidiary, alleging that the subsidiary of the Group was in breach of the hotel management services contract signed previously. The plaintiff is now claiming loss and damages in the sum of approximately RMB11,800,000 (equivalent to approximately \$13,210,000) against the subsidiary of the Group. The operation of a bank account of the subsidiary of the Group with bank balance of \$13,210,000 was therefore restricted by the court. The hearing has not yet been held. Given the internal assessment and a legal advice from an independent legal advisor, the directors of the Company are of the opinion that the outcome of the hearing cannot be certain.

17. EVENTS AFTER THE REPORTING PERIOD

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

18. 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.

2022 BUSINESS REVIEW

BUSINESS REVIEW

During 2022, 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 property leasing |

HOTEL BUSINESS

During 2022, the Group's hotel businesses were operated by Wanda Hotel Management (HK) Co., Ltd. (“Wanda Hotel Management”, together with its subsidiaries, “Wanda Hotel Management Group”). Wanda Hotel Management Group 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 Operation and Management Services

During 2022, the hotels managed by the Group were operated under three models, namely:–

1. Leased-and-operated hotels;
2. Managed hotels; and
3. Franchised hotels.

The Group expanded the hotel network under the Group's management from 89 hotels with 23,268 rooms as of 31 December 2021 to 122 hotels with 28,656 rooms as of 31 December 2022. As of 31 December 2022, an additional 232 hotels were contracted to be managed by the Group but were still under development and have not commenced operation yet.

Our hotel brands

The Group adopts a multi-brand strategy which is designed to target sets of customers with distinctive preferences and needs. Below set forth the major hotels brands under which the Group currently manages by category:–

Full service hotel brands – Wanda Reign, Wanda Vista, Wanda Realm, Wanda Jin, Wanda Yi, and Wanda Amber

Limited service hotel brands – Wanda Moments, Wanda Yue and Wanda Encore

Hotel Brand	Service Features
Wanda Reign	<ul style="list-style-type: none">• An ultra-luxury hotel brand for socialites and the elites that delivers supremely personalized services and transcends every expectation.
Wanda Vista	<ul style="list-style-type: none">• A luxury hotel brand for distinguished guests who relish extraordinary services in oriental elegance that seamlessly blends with local culture.
Wanda Realm	<ul style="list-style-type: none">• A premium hotel brand built upon quality service of superb international standards for business and leisure travelers.
Wanda Jin	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• A premium high-end lifestyle hotel brand offering distinctive design, imaginative and livable space to travelers seeking lives' exquisiteness and surprises.
Wanda Amber	<ul style="list-style-type: none">• A high-end customized hotel brand creating a warm, comfortable and wonderful atmosphere for business and leisure travelers.

Hotel Brand	Service Features
Wanda Moments	<ul style="list-style-type: none"> • A high-end midscale hotel brand dedicating to quality design and select services for the ultimate comfort of business travelers.
Wanda Yue	<ul style="list-style-type: none"> • A midscale hotel brand offering intimate services to business travelers who are highly individual and willing to experience the trendy.
Wanda Encore	<ul style="list-style-type: none"> • A high-end midscale hotel brand featuring a perennially safe and cosy experience for business and leisure travelers.

The following table sets forth a breakdown by hotel brands and operational model of hotels in operation managed by the Group as at 31 December 2022:–

	Leased-and- Operated Hotels	Managed Hotels	Franchised Hotels	Number of Hotel Room
Wanda Reign	–	4	–	934
Wanda Vista	–	18	–	5,427
Wanda Realm	–	42	2	12,530
Wanda Jin	–	9	2	3,072
Wanda Yi	1	3	–	1,095
Wanda Moments	3	20	–	2,888
Wanda Yue	–	10	1	1,483
Wanda Amber	–	1	–	163
Wanda Encore	–	1	–	71
Others	–	4	1	993
	<hr/>	<hr/>	<hr/>	<hr/>
Grand Total	4	112	6	28,656
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Leased and operated hotels

As of 31 December 2022, the Group had four 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. Our leased-and-operated hotels are located on leased properties and 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 2022, none of our leases were expected to expire in 2023.

Managed hotels

As of 31 December 2022, we had 112 managed hotels, accounting for approximately 92% 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 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 31 December 2022, we had six franchised hotels, accounting for approximately 5% 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 do not appoint on-site hotel management personnel and collect fees from those franchisees. In addition, these hotels will operate in accordance with our brand standards, including bringing the hotel properties into compliance with the appropriate brand standards under our supervision.

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 2022 and 31 December 2021:–

	For Year Ended 31 December	
	2022	2021
Occupancy rate (%)		
All hotels	43.5%	47.6%
Full Service Hotel	43.0%	47.6%
Limited Service Hotel	46.5%	47.5%
Average daily rate (RMB)		
All hotels	449	539
Full Service Hotel	479	560
Limited Service Hotel	276	274
RevPAR (RMB)		
All hotels	195	257
Full Service Hotel	206	267
Limited Service Hotel	129	130

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

Occupancy rate (%)		
All hotels	43.5%	47.6%
Leased-and-operated hotels	60.3%	65.2%
Managed hotels	42.8%	48.7%
Franchised hotels	42.4%	38.5%
Average daily rate (RMB)		
All hotels	449	539
Leased-and-operated hotels	242	250
Managed hotels	466	541
Franchised hotels	349	467
RevPAR (RMB)		
All hotels	195	257
Leased-and-operated hotels	146	163
Managed hotels	199	262
Franchised hotels	148	180

Provision of hotel staff

The Group is responsible for providing hotel managers and employees for some of the operational models as disclosed above. In order to provide better hotel staff to Group's customers, a subsidiary of hotel staff provision service was newly incorporated by the Group during the year under the hotel operation and management services business.

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 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.

OUTLOOK

With the easing of travel restrictions and pandemic control measures, we expect the economy in the PRC to rebound strongly in 2023. The Group will closely monitor the performance of the business operations. Moreover, the Group will continue to expand the hotel network and plan to add 30 to 35 new hotels in 2023.

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 shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by 6.5% to approximately HK\$816.8 million for the year ended 31 December 2022 (2021: HK\$873.7 million). Below table sets forth the revenue breakdown by business segment:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
Hotel operation and management services	536,424	565,478	(29,054)	-5.1%
Hotel design and construction management services	182,165	200,916	(18,751)	-9.3%
Investment properties leasing	98,191	107,265	(9,074)	-8.5%
Total	816,780	873,659	(56,879)	-6.5%

Hotel operation and management services – The segment revenue decreased by 5.1% to approximately HK\$536.4 million in 2022 (2021: HK\$565.5 million), primarily due to:– (i) a decrease in revenue from hotel management fee by 12.2% to approximately HK\$371.6 million in 2022 (2021: HK\$423.4 million) since the hotels managed by the Group recorded lower occupancy and RevPAR as a result of stringent lockdowns and travel restrictions imposed in the PRC during the year caused by the COVID-19 Omicron variant; but offset by (ii) an increase in hotel operation income by 16.0% to approximately HK\$164.8 million in 2022 (2021: HK\$142.1 million) due to a significant increase in income from product sales and catering services by the hotels managed by the Group in 2022.

Hotel design and construction management services – The segment revenue decreased by 9.3% to approximately HK\$182.2 million in 2022 (2021: HK\$200.9 million), mainly due to the slowdown of work progress as a result of pandemic control and prevention policies imposed in the PRC due to the resurgence of the pandemic.

Investment properties leasing – The segment revenue decreased by 8.5% to approximately HK\$98.2 million in 2022 (2021: HK\$107.3 million), mainly due to lower rental rates for short-term leases signed during 2022.

Cost of sales

Cost of sales of the Group rose by 15% to approximately HK\$473.5 million in 2022 (2021: HK\$411.7 million), mainly due to: (i) an increase in cost of sales of goods and catering services by approximately HK\$26.1 million in 2022 due to expansion of the relevant services; (ii) cost of hotel staff provision service which amounted to approximately HK\$14.8 million in 2022 (2021: Nil); and (iii) an increase in cost of investment properties leasing by approximately HK\$13.7 million in 2022 as a result of an increase in the entrusted management fee paid during the year in relation to the entrusted management services provided by Zhuhai Wanda Commercial Management Group Co., Ltd. (“Zhuhai Wanda”) and its subsidiaries to the Guilin Project by approximately HK\$14.3 million. For the details of the agreement in relation to such entrusted management fees, please refer to the Company’s announcements dated 24 August 2021 and 30 June 2022.

Gross profit and gross profit margin

As a result of the above, both gross profit and gross profit margin of the Group decreased to approximately HK\$343.3 million and 42.0% respectively in 2022 (2021: HK\$461.9 million and 52.9% respectively).

Net valuation loss on investment properties

Net valuation loss on investment properties of the Group was approximately HK\$24.5 million in 2022 (2021: HK\$53.0 million). Such valuation loss was attributed to the decrease in valuation of the shopping mall of the Guilin Project.

Segment results

The segment results of the Group for the year ended 2022 and 2021 are set out below:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)	Changes <i>HK\$'000</i>	%
Hotel operation and management services	130,917	167,471	(36,554)	-21.8%
Hotel design and construction management services	33,850	37,751	(3,901)	-10.3%
Investment properties leasing	34,591	30,542	4,049	13.3%
Total	<u>199,358</u>	<u>235,764</u>	<u>(36,406)</u>	<u>-15.4%</u>

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

Hotel operation and management services – The segment profit decreased to approximately HK\$130.9 million in 2022 (2021: HK\$167.5 million), mainly due to the decrease in segment revenue as mentioned above.

Hotel design and construction management services – The segment profit decreased to approximately HK\$33.9 million in 2022 (2021 restated: HK\$37.8 million), mainly due to a decrease in segment revenue resulting from slower work progress as a result of the resurgence of the pandemic in 2022.

Investment properties leasing – The segment profit increased to approximately HK\$34.6 million in 2022 (2021: HK\$30.5 million), mainly due to: i) a decrease in valuation loss by approximately HK\$28.5 million in 2022, but offset by ii) an increase in entrusted management fee paid by approximately HK\$14.3 million in 2022 in relation to the entrusted management services provided by Zhuhai Wanda and its subsidiaries.

Other income and gains, net

The Group's net other income and gains decreased significantly to approximately HK\$128.1 million in 2022 from approximately HK\$211.9 million in 2021, mainly due to:

- i. a decrease in other income by approximately HK\$141.0 million in 2022 since there was a termination compensation of approximately HK\$139.4 million received from Sunac China Holdings Limited for breach of contracts in 2021 in relation to its early termination of the hotel management agreements for their 21 hotels managed by the Group;

- ii. an impairment of long-term receivable in relation to the deferred amount from the Chicago project disposal, which amounted to HK\$29.5 million in 2022 as compared to approximately HK\$19.4 million in 2021. Such impairment was valued by an independent qualified valuer, Cushman & Wakefield Limited, after performance of expected credit loss (“ECL”) analysis on the long-term receivable as required by HKFRS 9. The ECL analysis has considered the US economy, 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. The Group’s management has discussions with the valuer on the valuation assumptions and the valuation results. The Chicago project disposal was closed in November 2020. For further details of the Chicago project disposal and the repayment terms of the long-term receivable, please refer to the Company announcements dated 30 July 2020, 17 August 2020 and 25 November 2020 and the Company circular dated 29 September 2020; but offset by:
- iii. a decrease in impairment of trade receivables by approximately HK\$49.7 million in 2022 after impairment analysis performed by the management by reference to the credit risk characteristics of trade receivables as at 31 December 2022;
- iv. net exchange gain which amounted to approximately HK\$6.8 million in 2022 as compared to net exchange loss of approximately HK\$12.0 million in 2021 (restated) as a result of fluctuation in foreign exchanges during the year; and
- v. an increase in interest income on long-term receivable in relation to Chicago project disposal by approximately HK\$8.1 million in 2022.

Selling and administrative expenses

Selling and administrative expenses decreased by 34.5% to approximately HK\$114.8 million in 2022 (2021 restated: HK\$175.2 million). The ratio of selling and administrative expenses over revenue also decreased to 14% in 2022 (2021 restated: 20.1%), as a result of vigorous cost-monitoring measures implemented by the Group to cope with the volatile business environment following the resurgence of the pandemic.

Finance costs

Finance costs decreased by 38.9% to approximately HK\$33.4 million (2021: HK\$54.6 million), primarily due to partial repayment of a loan from an intermediate holding company during the year.

Income tax expense

The Group reported income tax expense of approximately HK\$66.1 million in 2022 (2021: HK\$139.7 million). The decrease in income tax expense was mainly due to (i) decrease of current income tax expense of approximately HK\$21.0 million arising from the decrease of the Group's profit before tax and (ii) decrease of deferred tax expense of approximately HK\$52.6 million arising from the reversal of deferred tax provided in 2021 on the distributable profits of the Group's PRC subsidiary.

Profit for the year and attributable to equity holders of the Company

As a result of the foregoing, below table sets forth the Group's profit for the year and profit attributable to equity holders of the Company in 2022 and 2021 respectively:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (restated)	Changes <i>HK\$'000</i>
Profit attributable to:–			
– Owners of the parent	193,242	233,070	(39,828)
– Non-controlling interests	39,734	18,190	21,544
Profit for the year	<u>232,976</u>	<u>251,260</u>	<u>(18,284)</u>

Net assets and equity attributable to equity holders of the parent

Below table sets forth the net assets and equity attributable to equity holders of the parent of the Group as at 31 December 2022 and 2021 respectively:

	As at 31 December	
	2022 <i>HK\$'million</i>	2021 <i>HK\$'million</i> (restated)
Total assets	5,261.2	7,205.4
Total liabilities	2,073.7	3,357.8
Net assets	3,187.5	3,847.6
Equity attributable to equity holders of the parent	2,567.3	2,534.4

Liquidity, borrowing and financial resources

As at 31 December 2022, the Group's cash (including restricted bank balance) amounted to approximately HK\$1,080.9 million (As at 31 December 2021 (restated): HK\$3,008.5 million) and primarily consisted of Renminbi ("RMB"). Below table sets forth the breakdown of cash by currency:

	As at 31 December	
	2022	2021
	(% to total cash)	(% to total cash) (restated)
RMB	83	96
Australian Dollar	7	3
Hong Kong Dollar	9	1
United States Dollar ("USD")	1	0
	<u>100</u>	<u>100</u>

As at 31 December 2022, the current ratio of the Group, which is the quotient arrived at by dividing current assets by current liabilities, was 1.02 (As at 31 December 2021 (restated): 1.25).

As at 31 December 2022, the Group's interest-bearing loan amounted to approximately HK\$11.4 million (As at 31 December 2021: HK\$873.0 million) and such loan was repayable on demand.

Below table sets out the gearing ratios of the Group:

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(restated)
Total debts	11,404	873,000
<i>Less: Total cash and bank balances*</i>	<u>1,080,921</u>	<u>3,008,545</u>
Net cash	<u>1,069,517</u>	<u>2,135,545</u>
Total equity	3,187,483	3,847,621
Total assets	5,261,205	7,205,384
Gearing ratios:		
Net debts over aggregate of net debts and total equity	Net Cash	Net Cash
Net debts over total assets	<u>Net Cash</u>	<u>Net Cash</u>

* *Including restricted cash*

Foreign currency and interest rate exposure

During the year, the Group's business was principally conducted in RMB. The functional currency of the Group's subsidiaries in the PRC was RMB and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The Group's exposure to currency risk during the year was primarily through the long-term receivables 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 year, the Group did not use any financial instruments to hedge against foreign currency exposure and have no hedging instrument outstanding as at 31 December 2022.

As at 31 December 2022, the interest-bearing loan of approximately HK\$11.4 million of the Group was on a fixed rate basis. Accordingly, the Group's cost of borrowing was not subject to interest rate risks. It 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 31 December 2022, the Group had no pledge of its assets (As at 31 December 2021: Nil).

Changes in share capital

There was no change in the Company's share capital during the year ended 31 December 2022.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 16 to the financial statements in this announcement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Group had no acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2022 except the Business Combination to facilitate the development of hotel design and construction management services business as disclosed in note 2 to the financial statements in this announcement.

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 2022, the Group had around 1,342 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 coverage, and subsidized educational and training programs.

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

OTHER INFORMATION

SHARE SCHEME

The Company did not have any effective share scheme as at 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

The Company has complied with the Corporate Governance Code (the “Code”) as contained in Part 2 of Appendix 14 of the Listing Rules during the year.

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 2022 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 2022 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 2022 will be dispatched to Shareholders and published on the aforesaid websites in due course.

PROPOSED ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS

The Board proposes to seek the approval of the Shareholders for (i) certain amendments to the existing bye-laws of the Company (the “Existing Bye-laws”) and (ii) the adoption of an amended and restated bye-laws of the Company (the “New Bye-laws”) consolidating the proposed amendments and all previous amendments made.

The Board wishes to amend the Existing Bye-laws and adopt the New Bye-laws to allow the Company to (i) bring the Existing Bye-laws in line with amendments made to the applicable laws of Bermuda and the Listing Rules; and (ii) incorporate certain housekeeping amendments. In view of the number of proposed amendments made to the Existing Bye-laws, the Board proposes to adopt the New Bye-laws in substitution for, and to the exclusion of, the Existing Bye-laws.

The proposed amendments to the Existing Bye-laws and the proposed adoption of the New Bye-laws are subject to the approval of the Shareholders by way of a special resolution at the forthcoming annual general meeting (the “AGM”) of the Company in 2023, and will become effective upon the approval by the Shareholders at the AGM.

A circular containing, among other matters to be tabled at the AGM, details of the proposed amendments to the Existing Bye-laws and the adoption of New Bye-laws, together with a notice of AGM will be dispatched to the Shareholders in due course.

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

Hong Kong, 29 March 2023

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.