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 2023

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 2023, with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	Notes	**2023**	2022
		$'000	*$'000*
Revenue	*4*	**983,068**	816,780
Cost of sales		**(564,047)**	(473,474)
Gross profit		**419,021**	343,306
Other income and gains, net	*5*	**30,264**	128,139
Net valuation loss on investment properties		**(7,780)**	(24,549)
Selling expenses		**(15,493)**	(18,112)
Administrative expenses		**(123,669)**	(96,640)
Finance costs	*7*	**(21,976)**	(33,353)
Share of (losses)/profits of joint ventures		**(33)**	240
Profit before tax		**280,334**	299,031
Income tax expense	*8*	**(89,284)**	(66,055)
Profit for the year		**191,050**	232,976
Attributable to:			
Owners of the parent		**165,154**	193,242
Non-controlling interests		**25,896**	39,734
		191,050	232,976
Earnings per share attributable to ordinary equity holders of the parent (HK cents)	*9*		
Basic and diluted		**3.5**	4.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

(Expressed in Hong Kong dollars)

	2023	2022
	$'000	*$'000*
Profit for the year	**191,050**	232,976
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(31,034)**	(211,579)
Other comprehensive loss for the year, net of tax	**(31,034)**	(211,579)
Total comprehensive income for the year	**160,016**	21,397
Attributable to:		
Owners of the parent	**140,670**	32,927
Non-controlling interests	**19,346**	(11,530)
	160,016	21,397

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in Hong Kong dollars)

	Notes	2023 $'000	2022 $'000
Non-current assets			
Property, plant and equipment		**143,356**	147,140
Investment properties		**1,379,375**	1,407,212
Right-of-use assets	*10(a)*	**291,082**	323,441
Intangible assets		**18,082**	10,088
Investments in joint ventures		**856**	230
Long-term receivables	*12*	**1,878,971**	1,783,937
Deferred tax assets		**79,376**	79,064
Total non-current assets		**3,791,098**	3,751,112
Current assets			
Inventories		**434**	207
Trade and bills receivables	*11*	**189,110**	214,665
Contract assets		**97,818**	100,157
Prepayments, other receivables and other assets	*12*	**110,381**	112,733
Income tax recoverable		**4,597**	1,410
Restricted bank balance		**13,021**	13,210
Cash and cash equivalents		**346,148**	1,067,711
Total current assets		**761,509**	1,510,093
Current liabilities			
Trade payables, other payables and accruals	*13*	**413,506**	1,303,500
Contract liabilities		**109,998**	62,401
Receipts in advance		**9,842**	7,360
Loans from an intermediate holding company		**4,342**	11,404
Lease liabilities	*10(b)*	**25,566**	31,808
Income tax payables		**91,205**	60,091
Total current liabilities		**654,459**	1,476,564
Net current assets		**107,050**	33,529
Total assets less current liabilities		**3,898,148**	3,784,641

	Notes	2023 $'000	2022 $'000
Non-current liabilities			
Contract liabilities		**107,771**	65,835
Lease liabilities	*10(b)*	**329,626**	356,189
Deferred tax liabilities		**174,318**	175,134
Total non-current liabilities		**611,715**	597,158
NET ASSETS		**3,286,433**	3,187,483
Equity			
Equity attributable to owners of the parent			
Share capital	*14*	**469,735**	469,735
Retained earnings		**842,276**	678,436
Other reserves		**1,396,007**	1,419,177
		2,708,018	2,567,348
Non-controlling interests		**578,415**	620,135
TOTAL EQUITY		**3,286,433**	3,187,483

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") 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

3. 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 on 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.

Year ended 31 December 2023

	Hotel operation and management services *$'000*	Hotel design and construction management services *$'000*	Investment properties leasing *$'000*	Total *$'000*
Segment revenue: *(note 4)*				
Sales to external customers	**721,027**	**173,035**	**89,006**	**983,068**
Segment profit	**212,765**	**8,429**	**47,390**	**268,584**
Reconciliation:				
Other income and gains, net *(note 5)*				**30,264**
Finance costs (other than interest on lease liabilities) *(note 7)*				**(289)**
Corporate and other unallocated expenses				**(18,225)**
Profit before tax				**280,334**
Segment assets	**629,273**	**223,398**	**1,395,758**	**2,248,429**
Reconciliation:				
Corporate and other unallocated assets				**2,304,178**
Total assets				**4,552,607**
Segment liabilities	**787,151**	**72,346**	**49,591**	**909,088**
Reconciliation:				
Corporate and other unallocated liabilities				**357,086**
Total liabilities				**1,266,174**

Other segment information

Year ended 31 December 2023

	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 5)*				
– Segment assets	**23,903**	**43,970**	**148**	**68,021**
– Unallocated assets				**35,401**
				103,422
Depreciation and amortisation *(note 6)*				
– Segment assets	**49,002**	**683**	**1**	**49,686**
– Unallocated assets				**1,451**
				51,137
Capital expenditure*				
– Segment assets	**24,896**	**357**	**–**	**25,253**
– Unallocated assets				**–**
				25,253

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

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 4)*				
Sales to external customers	536,424	182,165	98,191	816,780
Segment profit	130,917	33,850	34,591	199,358
Reconciliation:				
Other income and gains, net *(note 5)*				128,139
Finance costs (other than interest on lease liabilities) *(note 7)*				(9,535)
Corporate and other unallocated expenses				(18,931)
Profit before tax				299,031
Segment assets	638,642	238,061	1,427,116	2,303,819
Reconciliation:				
Corporate and other unallocated assets				2,957,386
Total assets				5,261,205
Segment liabilities	885,709	151,454	42,165	1,079,328
Reconciliation:				
Corporate and other unallocated liabilities				994,394
Total liabilities				2,073,722

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 5)*				
– Segment assets	1,308	14,865	127	16,300
– Unallocated assets				29,525
				45,825
Depreciation and amortisation *(note 6)*				
– Segment assets	46,570	430	142	47,142
– Unallocated assets				1,609
				48,751
Capital expenditure*				
– Segment assets	12,610	975	–	13,585
– Unallocated assets				1
				13,586

* *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**	
	2023	2022	**2023**	2022
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong)	**978,390**	813,698	**1,857,977**	1,888,111
Overseas	**4,678**	3,082	**1,853,745**	1,783,937
	983,068	816,780	**3,711,722**	3,672,048

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:

	2023	2022
	$'000	*$'000*
Customer A	**294,759**	183,527
Customer B	**141,265**	116,267
	436,024	299,794

4. REVENUE

An analysis of revenue is as follows:

	2023	2022
	$'000	*$'000*
Revenue from contracts with customers		
Hotel management services	**545,102**	371,624
Hotel design and construction management services	**173,035**	182,165
Hotel operation income	**175,925**	164,800
	894,062	718,589
Revenue from other sources		
Gross rental income from investment properties operating leases:		
Variable rent	**4,426**	3,950
Base rent	**84,580**	94,241
	89,006	98,191
	983,068	816,780

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

	2023	2022
	$'000	*$'000*
Recognised at a point in time		
Hotel operation income from sales of goods, catering services and others	**109,043**	102,267
Recognised over time		
Hotel operation income from rooms	**66,882**	62,533
Hotel management service revenue	**545,102**	371,624
Hotel design and construction management services	**173,035**	182,165
Revenue from contracts with customers	**894,062**	718,589

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:

	2023	2022
	$'000	*$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**4,280**	335
Loyalty programme management services	**21,388**	18,144
Hotel management services	**19,413**	14,891
Hotel design and construction management services	**12,125**	8,686
Others	**977**	632
	58,183	42,688

(ii) Performance obligations

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

Hotel management services, hotel design and construction management services

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

Hotel operation income

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

Loyalty programme 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 management services, hotel design and construction management services and loyalty programme management services as at 31 December 2023 and 2022 are as follows:

	2023	2022
	$'000	*$'000*
Amounts expected to be recognised as revenue:		
Within one year	**191,386**	194,899
After one year	**154,782**	176,079
	346,168	370,978

5. OTHER INCOME AND GAINS, NET

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

	2023	2022
	$'000	*$'000*
Bank interest income	**5,672**	21,726
Interest income on long-term receivables	**100,810**	119,323
Other interest income from financial assets at fair value through profit or loss	**–**	8,375
Exchange (loss)/gain, net	**(2,072)**	6,753
(Impairment)/reversal of impairment of financial and contract assets, net:		
– Impairment of trade receivables *(note 11)*	**(48,344)**	(10,114)
– (Impairment)/reversal of impairment of other receivables *(note 12(b))*	**(3,065)**	93
– Impairment of contract assets	**(16,612)**	(6,279)
– Impairment of long-term receivable *(note 12(c))*	**(35,401)**	(29,525)
Other income due to breach of contracts by customers	**127**	1,505
Government grants	**26,499**	13,680
Others	**2,650**	2,602
	30,264	128,139

6. PROFIT BEFORE TAX

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

	Notes	**2023** **$'000**	2022 *$'000*
Cost of goods sold		**93,220**	92,196
Cost of services provided*		**437,292**	341,276
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**33,535**	40,002
		564,047	473,474
Depreciation of property, plant and equipment		**16,823**	14,173
Depreciation of right-of-use assets	*10(a)*	**31,392**	32,928
Amortisation of intangible assets		**2,922**	1,650
Lease payments not included in the measurement of lease liabilities	*10(c)*	**6,546**	6,829
Decrease in fair value of investment properties		**7,780**	24,549
Auditor's remuneration			
– Annual audit services		**1,111**	1,169
– Non-audit services		**402**	525
Employee benefit expense* (excluding directors' remuneration)			
– Salaries, wages and other benefits		**78,353**	63,316
– Contributions to defined contribution retirement plans		**6,447**	6,083
		84,800	69,399

* *Cost of services provided includes employee benefit expense of approximately $241,399,000 (2022: $202,303,000), which amount is not included in the total amounts of employee benefit expense.*

7. FINANCE COSTS

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

	2023 **$'000**	2022 *$'000*
Interest on loans from an intermediate holding company	**289**	9,535
Interest on lease liabilities *(note 10(b))*	**21,687**	23,818
	21,976	33,353

8. INCOME TAX

	2023	2022
	$'000	*$'000*
Current tax		
Corporate Income Tax *(note (iii))*		
– Charge for the year	**89,992**	106,801
– (Overprovision)/underprovision in prior years	**(1,090)**	1,291
Deferred tax	**382**	(42,037)
Total income tax expense for the year	**89,284**	66,055

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% (2022: 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% (2022: 25%) on the assessable profits of the Group's majority 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, a subsidiary of the Company was recognised as High and New Technology Enterprises in October 2023 and was entitled to a preferential tax rate of 15%, and the subsidiary of the Company established in Zhuhai, Guangzhou Province, which enjoy a 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.

9. 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 (2022: 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 2023 (2022: Nil).

10. 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 of between 2 and 6 years, and leases of hotel buildings generally have lease terms of between 15 and 20 years, while machinery generally has lease terms of 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	Hotel buildings	Machinery	Total
	$'000	*$'000*	*$'000*	*$'000*
As at 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 and 1 January 2023	18,013	305,350	78	323,441
Additions	3,391	–	–	3,391
Depreciation charge	(8,989)	(22,326)	(77)	(31,392)
Exchange realignment	(152)	(4,205)	(1)	(4,358)
As at 31 December 2023	12,263	278,819	–	291,082

(b) Lease liabilities

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

	2023	2022
	$'000	*$'000*
Carrying amount at 1 January	**387,997**	424,436
New leases	**3,391**	8,795
Accretion of interest recognised during the year *(note 7)*	**21,687**	23,818
Payments	**(52,237)**	(32,182)
Exchange realignment	**(5,646)**	(36,870)
Carrying amount at 31 December	**355,192**	387,997
Analysed into:		
Current portion	**25,566**	31,808
Non-current portion	**329,626**	356,189
	355,192	387,997

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

	2023	2022
	$'000	*$'000*
Interest on lease liabilities *(note 7)*	**21,687**	23,818
Depreciation charge of right-of-use assets *(note 6)*	**31,392**	32,928
Expense relating to short-term leases and other leases (included in cost of sales and administrative expenses) *(note 6)*	**6,540**	6,777
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses) *(note 6)*	**6**	52
Total amount recognised in profit or loss	**59,625**	63,575

The Group as a lessor

The Group leases its investment properties in Guilin, Guangxi Zhuang Autonomous Region 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 $89,006,000 (2022: $98,191,000), details of which are included in note 4 to the financial statements.

At 31 December 2023, the undiscounted lease payments receivables of the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2023	2022
	$'000	*$'000*
Within one year	**71,966**	68,676
After one year but within two years	**41,448**	45,532
After two years but within three years	**26,071**	30,853
After three years but within four years	**20,680**	21,213
After four years but within five years	**17,429**	18,031
After five years	**54,174**	71,837
	231,768	256,142

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	$'000	*$'000*
Trade receivables	**351,974**	325,706
Impairment	**(162,974)**	(116,742)
	189,000	208,964
Bills receivables	**110**	5,701
	189,110	214,665

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:

	2023	2022
	$'000	*$'000*
Within 3 months	**85,831**	101,658
Over 3 months but within 6 months	**19,940**	15,350
Over 6 months but within 12 months	**19,460**	15,682
Over 12 months	**63,769**	76,274
	189,000	208,964

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

	2023	2022
	$'000	*$'000*
At 1 January	**116,742**	117,048
Impairment during the year, net *(note 5)*	**48,344**	10,114
Exchange realignment	**(2,112)**	(10,420)
At 31 December	**162,974**	116,742

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 2023, the trade receivables amounting to $103,989,000 (2022: $102,196,000) were assessed individually and considered to be unlikely for the Group to receive as 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 2023

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 12 months**	**Total**
Expected credit loss rate	**0.995%**	**5.375%**	**5.895%**	**8.250%**	**50.836%**	**23.785%**
Gross carrying amount *($'000)*	**86,694**	**21,073**	**15,927**	**16,754**	**107,537**	**247,985**
Expected credit losses *($'000)*	**863**	**1,133**	**939**	**1,382**	**54,668**	**58,985**

As at 31 December 2022

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
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

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 $'000	2022 $'000
Current portion			
Prepayments		**22,834**	37,251
Deposits and other receivables		**88,727**	70,249
Amounts due from related parties	*a*	**5,503**	5,315
Amounts due from intermediate holding companies	*a*	**11,333**	14,982
		128,397	127,797
Impairment allowance	*b*	**(18,016)**	(15,064)
		110,381	112,733
Non-current portion			
Long-term receivables	*c*	**1,963,471**	1,832,874
Impairment allowance	*c*	**(84,500)**	(48,937)
		1,878,971	1,783,937

(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:

	2023 $'000	2022 $'000
At 1 January	**15,064**	15,745
Impairment/(reversal of impairment) during the year in profit or loss, net *(note 5)*	**3,065**	(93)
Exchange realignment	**(113)**	(588)
At 31 December	**18,016**	15,064

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 receivables amounting to approximately $1,938,247,000 (equivalent to approximately US$247,992,000) represented the initial deferred amount arising from the disposal of the Company's interest in Parcel C LLC ("Parcel C") of $1,590,508,000 (equivalent to approximately US$203,500,000) and the relevant interest generated of $347,739,000 (equivalent to approximately US$44,492,000). Portion of the deferred amount is secured by a mortgage on certain condominium units of Parcel C. As the debtor extended the initial maturity date of the receivable, an additional impairment of long-term receivable of $35,401,000 was recognised during the year by management using the debtor's cash flow projections and applying appropriate discount rate. 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 receivables during the year are as follows:

	2023	2022
	$'000	*$'000*
At 1 January	**48,937**	19,418
Impairment during the year recognised *(note 5)*	**35,401**	29,525
Exchange realignment	**162**	(6)
At 31 December	**84,500**	48,937

13. 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:

		2023	2022
	Notes	***$'000***	*$'000*
Trade payables	*a*	**34,443**	23,479
Other payables and accruals		**274,315**	254,864
Interest payable to an intermediate holding company		**–**	71,350
Amounts due to an intermediate holding company	*b*	**80,138**	665,734
Amounts due to related parties	*b*	**24,610**	288,073
		413,506	1,303,500

Notes:

a. None of the Group's trade payables are expected to be settled after more than one year (2022: Nil).

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

	2023	2022
	$'000	*$'000*
Within 3 months	**26,462**	15,099
Over 3 months but within 6 months	**392**	2,899
Over 6 months but within 12 months	**48**	11
Over 12 months	**7,541**	5,470
	34,443	23,479

b. The amounts due to an intermediate holding company and related parties are repayable on demand and all these balances are unsecured and interest-free.

14. SHARE CAPITAL AND DIVIDEND

(i) Share capital

	2023	2022
	$'000	*$'000*
Issued and fully paid:		
4,697,346,488 (2022: 4,697,346,488) ordinary shares	**469,735**	469,735

(ii) Dividend

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

15. CONTINGENT LIABILITIES

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 $13,021,000) against the subsidiary of the Group. The operation of a bank account of the subsidiary of the Group with bank balance of $13,021,000 was therefore restricted by the court. Given the internal assessment and legal advice from an independent legal advisor, the Directors are of the opinion that the outcome of the hearing cannot be ascertained.

16. 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.

2023 BUSINESS REVIEW

BUSINESS REVIEW

During the year ended 31 December 2023 (the "Year" or "2023"), 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 2023, 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 2023, 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 122 hotels with 28,656 rooms as of 31 December 2022 to 157 hotels with over 33,900 rooms as of 31 December 2023. As of 31 December 2023, an additional 312 hotels were contracted to be managed by the Group but were still under development and had not commenced operation yet.

Our hotel brands

The Group adopts multi-brand strategy which is designed to target segments of customers with distinctive preferences and needs. Set forth below are the major brands of hotels 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	• An ultra-luxury hotel brand for celebrities and social elites that delivers ultimate personalized services and transcends every expectation.
Wanda Vista	• A luxury hotel brand for distinguished guests who appreciate extraordinary services in oriental elegance that seamlessly blends with local culture.
Wanda Realm	• A premium hotel brand built upon quality service of superb international standards for business and leisure travelers.
Wanda Jin	• A premium and selected service hotel brand built upon boutique design and quality service offering a balanced life experience for business and leisure travelers.

Hotel Brand	Service Features
Wanda Yi	• A premium high-end lifestyle hotel brand offering distinctive design, imaginative and livable space to travelers pursuing exquisiteness and surprises in life.
Wanda Amber	• A high-end customized hotel brand creating a warm, comfortable and wonderful atmosphere for business and leisure travelers.
Wanda Moments	• A high-end midscale hotel brand dedicating to offer quality design and select services for the ultimate comfort of business travelers.
Wanda Yue	• A midscale hotel brand offering intimate services to business travelers who are willing to experience new trends.
Wanda Encore	• A high-end midscale hotel brand featuring a consistent, 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 2023:–

	Operational Model			
	Leased-and–Operated Hotels	**Managed Hotels**	**Franchised Hotels**	**Number of Hotel Room ('000)**
Hotel Brands				
Wanda Reign	–	4	–	0.9
Wanda Vista	–	18	1	5.6
Wanda Realm	–	43	2	12.7
Wanda Jin	–	11	3	4.1
Wanda Yi	1	6	–	1.8
Wanda Moments	3	30	–	3.9
Wanda Yue	–	22	1	2.7
Others*	–	11	1	2.2
Grand Total	**4**	**145**	**8**	**33.9**

* *Included Wanda Amber and Wanda Encore*

Leased and operated hotels

As of 31 December 2023, the Group had four leased-and-operated hotels, accounting for approximately 2.5% 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 2 to 15-month rent-free period. We generally pay fixed rent on a quarterly or biannual basis for the first 3 to 5 years of the lease term, after which we are generally subject to a pre-determined rent increase annually. Our leases usually allow term extensions by mutual agreement. As of 31 December 2023, none of our leases were expected to expire in one year.

Managed hotels

As of 31 December 2023, we had 145 managed hotels, accounting for approximately 92.4% 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 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 2023, we had eight franchised hotels, accounting for approximately 5.1% of all of our hotels in operation. Under the franchised hotel model, we license our relevant brand to hotel owners similar to the managed hotel model, but we provide training, reservation and support services to the franchised hotels and collect fees from franchisees and do not appoint on-site hotel management personnel. 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 and consistent with 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 and the year ended 31 December 2022 by service category:–

	For the Year Ended 31 December	
	2023	2022
Occupancy rate (%)		
All hotels	**55.9%**	43.5%
Full-service hotels	**54.7%**	43.0%
Limited-service hotels	**62.2%**	46.5%
Average daily rate (RMB)		
All hotels	**499**	449
Full-service hotels	**542**	479
Limited-service hotels	**301**	276
RevPAR (RMB)		
All hotels	**279**	195
Full-service hotels	**297**	206
Limited-service hotels	**187**	129

The following table sets forth our RevPAR, average daily room rate and occupancy rate for our hotels during the Year and the year ended 31 December 2022 by operational model:–

	For the Year Ended 31 December	
	2023	2022
Occupancy rate (%)		
All hotels	**55.9%**	43.5%
Leased-and-operated hotels	**66.9%**	60.3%
Managed hotels	**55.8%**	42.8%
Franchised hotels	**50.8%**	42.4%
Average daily rate (RMB)		
All hotels	**499**	449
Leased-and-operated hotels	**260**	242
Managed hotels	**513**	466
Franchised hotels	**397**	349
RevPAR (RMB)		
All hotels	**279**	195
Leased-and-operated hotels	**174**	146
Managed hotels	**287**	199
Franchised hotels	**202**	148

During 2023, the RevPAR increased by approximately 43.1% to approximately RMB279, as compared to approximately RMB195 in 2022. The increase in RevPAR was primarily due to the lifting of lockdowns and travel restrictions imposed in the PRC in relation to the COVID-19 coronavirus pandemic (the "Pandemic") towards the end of 2022, which led to a significant increase in the occupancy rate of the hotels managed by the Group during the Year.

The following table sets out our occupancy rate, average daily room rate and RevPAR for our hotels for 2023 and 2022 respectively on a quarterly basis:–

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Occupancy rate (%)								
All hotels	**53.9%**	40.6%	**63.0%**	54.2%	**55.7%**	40.8%	**50.6%**	37.6%
Full-service hotels	**52.6%**	39.8%	**61.8%**	54.1%	**54.4%**	42.4%	**50.3%**	36.6%
Limited-service hotels	**59.7%**	45.5%	**68.9%**	55.1%	**66.9%**	34.0%	**53.1%**	46.9%
Average daily rate (RMB)								
All hotels	**470**	408	**515**	491	**495**	406	**514**	475
Full-service hotels	**515**	436	**560**	516	**542**	425	**551**	504
Limited-service hotels	**299**	265	**318**	288	**311**	273	**284**	244
RevPAR (RMB)								
All hotels	**253**	166	**325**	266	**275**	166	**260**	178
Full-service hotels	**271**	173	**346**	279	**292**	180	**277**	185
Limited-service hotels	**178**	121	**219**	159	**208**	93	**151**	114

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Occupancy rate (%)								
All hotels	**53.9%**	40.6%	**63.0%**	54.2%	**55.7%**	40.8%	**50.6%**	37.6%
Leased-and-operated hotels	**66.2%**	54.1%	**72.6%**	71.6%	**71.9%**	55.4%	**55.6%**	60.3%
Managed hotels	**53.6%**	40.6%	**62.7%**	53.7%	**55.6%**	40.5%	**50.4%**	37.0%
Franchised hotels	**52.6%**	35.8%	**63.0%**	49.6%	**51.6%**	42.3%	**51.2%**	30.5%
Average daily rate (RMB)								
All hotels	**470**	408	**515**	491	**495**	406	**514**	475
Leased-and-operated hotels	**249**	227	**253**	277	**270**	242	**275**	214
Managed hotels	**483**	437	**531**	510	**516**	420	**529**	498
Franchised hotels	**398**	471	**397**	369	**397**	346	**398**	386
RevPAR (RMB)								
All hotels	**253**	166	**325**	266	**275**	166	**260**	178
Leased-and-operated hotels	**165**	123	**184**	199	**194**	134	**153**	129
Managed hotels	**259**	177	**333**	274	**287**	170	**267**	184
Franchised hotels	**209**	168	**250**	183	**205**	147	**204**	117

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 lifting of travel restrictions and pandemic control measures in the PRC, we expect the domestic tourist market in the PRC to continue to improve in 2024. The Group will closely monitor the performance of our business operations. Moreover, the Group will continue to expand our hotel network and plans to add 42 new hotels in 2024.

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 the shareholders of the Company (the "Shareholders").

FINANCIAL REVIEW

Revenue

The Group's revenue rose by approximately 20.4% to approximately HK$983.1 million for the Year (2022: HK$816.8 million). The following table below sets forth the revenue breakdown by business segment: –

	For the Year Ended 31 December		**Changes**	
	2023	2022		
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**721,027**	536,424	184,603	34.4%
Hotel design and construction management services	**173,035**	182,165	(9,130)	(5.0%)
Investment properties leasing	**89,006**	98,191	(9,185)	(9.4%)
Total	**983,068**	816,780	166,288	20.4%

1. **Hotel operation and management services –** Such revenue increased by approximately 34.4% to approximately HK$721.0 million in 2023 (2022: HK$536.4 million), primarily due to the increase in both hotel management services revenue and hotel operation revenue by approximately 46.7% and 6.7% to approximately HK$545.1 million and HK$175.9 million respectively in 2023 (2022: HK$371.6 million and HK$164.8 million respectively) as occupancy recovered significantly following the lifting of the pandemic-related lockdowns and restrictions in the PRC by in December 2022.

2. **Hotel design and construction management services –** Such revenue decreased by approximately 5.0% to approximately HK$173.0 million in 2023 (2022: HK$182.2 million), mainly due to the slowdown of work progress.

3. **Investment properties leasing –** Such revenue decreased by approximately 9.4% to approximately HK$89 million in 2023 (2022: HK$98.2 million), mainly due to the lower rental rates for leases signed during the Year.

Cost of sales

Cost of sales of the Group rose by approximately 19.1% to approximately HK$564.0 million in 2023 (2022: HK$473.5 million). Such increase was primarily due to the increase in the cost of sales of hotel management services by approximately 49.3% to approximately HK$246.2 million in 2023 (2022: HK$164.9 million) since 33 new managed hotels commenced operation during the Year. However, the cost of investment properties leasing dropped by approximately 16.3% to approximately HK$33.5 million in 2023 (2022: HK$40.0 million) since entrusted management services fee paid to Zhuhai Wanda Commercial Management Group Co., Ltd. dropped as a result of lower bonus service fee incurred during the Year.

Gross profit and gross profit margin

As a result of the above, both gross profit and gross profit margin of the Group rose to approximately HK$419.0 million and 42.6% respectively in 2023 (2022: HK$343.3 million and 42% respectively).

Net valuation loss on investment properties

Net valuation loss on investment properties of the Group was approximately HK$7.8 million in 2023 (2022: HK$24.5 million). Such valuation loss was attributed to the valuation loss in shopping mall of the Guilin Project.

Segment results

The following table illustrates the segment results of the Group for the Year and 2022 respectively: –

	For the Year Ended 31 December		Changes	
	2023	2022		
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**212,765**	130,917	81,848	62.5%
Hotel design and construction management services	**8,429**	33,850	(25,421)	(75.1%)
Investment properties leasing	**47,390**	34,591	12,799	37.0%
Total	**268,584**	199,358	69,226	34.7%

The unit of measurement used for reporting segment results is adjusted profit before tax.

Hotel operation and management services – The segment profit rose to approximately HK$212.8 million in 2023 (2022: HK$130.9 million), mainly due to the increase in segment revenue from the Group's business of hotel management services driven by improvement in RevPAR of hotels but offset partially by the escalated general and administrative overhead of approximately HK$19.7 million in 2023 as a result of increased salary and bonus expenses during the Year.

Hotel design and construction management services – The segment profit decreased sharply by approximately 75.1% to approximately HK$8.4 million in 2023 (2022: HK$33.9 million), mainly due to the decrease in segment revenue as above-mentioned and the increase of both segment cost of sales and general and administrative expenses by approximately HK$8.4 million and HK$8.1 million respectively in 2023 as a result of increase in salary and bonus expenses during the year.

Investment properties leasing – The segment profit increased by approximately 37.0% to approximately HK$47.4 million in 2023 (2022: HK$34.6 million), mainly due to a lower valuation loss in 2023, as compared to that in 2022.

Other income and gains, net

The Group's net other income and gains decreased significantly to approximately HK$30.3 million in 2023 from approximately HK$128.1 million in 2022, mainly as a result of the following factors:–

i. the decrease in the bank interest income significantly by approximately HK$16.1 million since cash and cash equivalents holding balance dropped during the Year as a result of cash being used to repay the advance from an intermediate holding company;

ii. the impairment of long-term receivables in relation to the deferred amount from the Chicago Project Disposal, which amounted to HK$35.4 million in 2023 as compared to approximately HK$29.5 million in 2022. Such impairment was estimated by an independent qualified valuer, Cushman & Wakefield Limited, after performance of expected credit loss ("ECL") analysis on the long-term receivables according to HKFRS 9. The ECL analysis has considered the i) increase of credit risk due to the extension of the maturity date of the long term receivables and ii) multiple scenarios of possible credit loss by using cash flow projection and discount rate. For further details of the Chicago Project Disposal and the repayment terms of the long-term receivables, 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;

iii. the increase in the impairment of trade receivables and contract assets by approximately HK$38.2 million and HK$10.3 million respectively in 2023 after impairment analysis performed by the management by reference to the credit risk characteristics of trade receivables and contract assets as at 31 December 2023;

iv. the net exchange loss amounted to approximately HK$2.1 million in 2023 as compared to net exchange gain of approximately HK$6.8 million in 2022 as a result of fluctuation in foreign currency during the Year;

v. the decrease in the interest income on long-term receivables in relation to Chicago Project Disposal by approximately HK$18.5 million in 2023; and

vi. increase in the government grants from approximately HK$13.7 million to approximately HK$26.5 million.

Selling and administrative expenses

Selling and administrative expenses rose by approximately 21.3% to approximately HK$139.2 million in 2023 (2022: HK$114.8 million) as a result of increased salary and bonus expenses following the recovery of the operating performance. The ratio of selling and administrative expenses over revenue rose to 14.2% in 2023 (2022: 14.0%).

Finance costs

Finance costs decreased by approximately 34.1% to approximately HK$22.0 million in 2023 (2022: HK$33.4 million), primarily due to partial repayment of a loan from an intermediate holding company since year 2022.

Income tax expense

The Group reported income tax expense of approximately HK$89.3 million in 2023 (2022: HK$66.1 million). The income tax expense increased mainly due to: i) the increase of profit from hotel business; and ii) a reversal of deferred tax asset provided in previous years in relation to the impairment allowance provided by the Chicago Project Disposal.

The ratio of income tax expense over profit before tax increased to approximately 31.8% in 2023 as compared to approximately 22.1% in 2022.

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

Profit for the Year and attributable to equity holders of the Company decreased to approximately HK$191.1 million and HK$165.2 million respectively in 2023, as set forth in the following table:–

	For the Year Ended 31 December		
	2023	2022	Changes
	HK$'000	*HK$'000*	*HK$'000*
Profit attributable to:			
– Owners of the parent	**165,154**	193,242	(28,088)
– Non-controlling interests	**25,896**	39,734	(13,838)
Profit for the year	**191,050**	232,976	(41,926)

Net assets and equity attributable to equity holders of the parent

The table below sets forth the net assets and equity attributable to the equity holders of the parent as at 31 December 2023 and 2022 respectively: –

	As at 31 December	
	2023	2022
	HK$'million	*HK$'million*
Total assets	**4,552.6**	5,261.2
Total liabilities	**1,266.2**	2,073.7
Net assets	**3,286.4**	3,187.5
Equity attributable to equity holders of the parents	**2,708.0**	2,567.3

Long-term receivables

As of 31 December 2023, the Group had long-term receivables of approximately HK$1,879.0 million (As of 31 December 2022: HK$1,783.9 million). Such long-term receivable primarily represented:–

(i) the deferred amount of the consideration (the "Deferred Amount") of approximately USD203.5 million from the Chicago Project Disposal, which was completed on 24 November 2020 (the "Completion Date"); and

(ii) the relevant interest incurred on the Deferred Amount.

The Deferred Amount is divided into two tranches. The first tranche of the Deferred Amount (the "First Tranche Deferred Amount") amounts to approximately USD103.5 million with a maturity date of not later than 24 November 2023 (the "Initial Maturity Date") which can be extended for two successive one-year periods by the purchaser. The outstanding amount of the First Tranche Deferred Amount earns interest on a compound basis and is calculated as below:–

(i) from Completion Date through and including the day immediately preceding the first anniversary of Completion Date, at a rate of 8%;

(ii) from the first anniversary of Completion Date through and including the day immediately preceding the second anniversary of Completion Date, at a rate of 9%;

(iii) from the second anniversary of Completion Date through and including the day immediately preceding the third anniversary of Completion Date, at a rate of 10%; and

(iv) if the Initial Maturity Date of the First Tranche Subordinated Note is elected to be extended from the third anniversary of Completion Date through and including the Initial Maturity Date, at a rate of 15%.

The second tranche of the Deferred Amount (the "Second Tranche Deferred Amount") amounts to USD100 million with a maturity date of not later than the Initial Maturity Date which can also be extended for two successive one-year periods by the purchaser. The outstanding amount of the Second Tranche Deferred Amount earns interest on a compound basis and is calculated as below:–

(i) from Completion Date through and including the day immediately preceding the first anniversary of Completion Date, at a rate of 3%;

(ii) from the first anniversary of Completion Date through and including the day immediately preceding the second anniversary of Completion Date, at a rate of 5%;

(iii) from the second anniversary of Completion Date through and including the day immediately preceding the third anniversary of Completion Date, at a rate of 7%; and

(iv) if the Initial Maturity Date of the Second Tranche Subordinated Note is elected to be extended from the third anniversary of Completion Date through and including the Initial Maturity Date, at a rate of 15%.

The Deferred Amount is secured by a mortgage on certain condominium units of the Chicago Project Disposal. For further details of the Chicago Project Disposal and the Deferred Amount, 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.

Liquidity, borrowing and financial resources

As at 31 December 2023, the Group's cash (including restricted bank balance) amounted to approximately HK$359.2 million (As at 31 December 2022: HK$1,080.9 million) and primarily consisted of Renminbi ("RMB"). The table below sets forth the breakdown of cash by currency:–

	As at 31 December	
	2023	2022
	(% to total cash)	*(% to total cash)*
Renminbi ("RMB")	**87**	83
Australian Dollar	**–**	7
United States Dollar ("USD")	**11**	9
Hong Kong Dollar	**2**	1
	100	100

As at 31 December 2023, the current ratio of the Group, which is the quotient arrived at by dividing current assets by current liabilities, was 1.16 (As at 31 December 2022: 1.02).

As at 31 December 2023, the Group's interest-bearing loan amounted to approximately HK$4.3 million (As at 31 December 2022: HK$11.4 million) and such loan was repayable within one year.

Below table sets out the gearing ratios of the Group:–

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
Total debts	**4,342**	11,404
Less: Total cash and bank balances*	**359,169**	1,080,921
Net cash	**354,827**	1,069,517
Total equity	**3,286,433**	3,187,483
Total assets	**4,552,607**	5,261,205
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

* *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 did not have any hedging instrument outstanding as at 31 December 2023.

As at 31 December 2023, the interest-bearing loan of approximately HK$4.3 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 31 December 2023, the Group had no pledge of its assets (As at 31 December 2022: Nil).

Changes in share capital

There are no change in the Company's share capital during the Year.

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 15 to the financial statements in this announcement.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Group had no significant investment held, material acquisition or disposal of subsidiaries and associated companies during the Year.

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 2023, the Group had around 709 full-time employees, who were located in the PRC (including 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 include 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 (2022: Nil).

OTHER INFORMATION

SHARE SCHEME

The Company did not have any effective share scheme as at 31 December 2023.

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.

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 C3 (formerly known as 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.

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 C1 (formerly known as 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 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 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 2023 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 (as defined below).

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 the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers, and the relevant amendments made to the Listing Rules which took effect on 31 December 2023; and (ii) incorporate certain housekeeping amendments (the "Proposed 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 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 2024, and will become effective upon the approval by the Shareholders at the AGM.

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

Hong Kong, 25 March 2024

As at the date of this announcement, Mr. Ning Qifeng (Chairman) and Mr. Liu Yingwu are the executive Directors; 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.