

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

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 2021, with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Notes	2021 \$'000	2020 \$'000
Continuing operations			
Revenue	4	873,659	655,419
Cost of sales		<u>(411,733)</u>	<u>(264,237)</u>
Gross profit		461,926	391,182
Other income and gains, net	5	218,189	55,420
Net valuation loss on investment properties		(53,049)	(34,538)
Selling expenses		(17,117)	(27,685)
Administrative expenses		(156,977)	(136,979)
Finance costs	7	<u>(54,612)</u>	<u>(111,892)</u>
Profit before tax from continuing operations		398,360	135,508
Income tax expense	8	<u>(139,664)</u>	<u>(39,409)</u>
Profit for the year from continuing operations		258,696	96,099
Discontinued operation			
Profit for the year from a discontinued operation	10	<u>—</u>	<u>134,057</u>
Profit for the year		<u>258,696</u>	<u>230,156</u>
Attributable to:			
Owners of the parent	9	240,506	165,131
Non-controlling interests		<u>18,190</u>	<u>65,025</u>
		<u>258,696</u>	<u>230,156</u>
Earnings per share attributable to ordinary equity holders of the parent (HK cents)			
	9		
Basic and diluted			
— For profit for the year		5.1	3.5
— For profit from continuing operations		<u>5.1</u>	<u>1.8</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	2021 \$'000	2020 \$'000
Profit for the year	<u>258,696</u>	<u>230,156</u>
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	115,614	203,869
Reclassification adjustments for a foreign operation disposed of during the year	<u>—</u>	<u>5,360</u>
Other comprehensive income for the year, net of tax	<u>115,614</u>	<u>209,229</u>
Total comprehensive income for the year	<u>374,310</u>	<u>439,385</u>
Attributable to:		
Owners of the parent	313,918	298,502
Non-controlling interests	<u>60,392</u>	<u>140,883</u>
	<u>374,310</u>	<u>439,385</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment		169,972	149,594
Investment properties		1,563,122	1,570,800
Right-of-use assets	<i>11(a)</i>	378,206	409,727
Intangible assets		3,586	—
Long-term receivable		1,694,415	1,592,983
Deferred tax assets		67,883	39,383
		<hr/>	<hr/>
Total non-current assets		3,877,184	3,762,487
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		1,836	—
Trade and bills receivables	<i>12</i>	170,164	341,829
Contract assets		62,769	22,469
Prepayments, other receivables and other assets	<i>13</i>	81,947	65,973
Income tax recoverable		231	696
Cash and cash equivalents		3,007,164	2,375,300
		<hr/>	<hr/>
Total current assets		3,324,111	2,806,267
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and other payables, and accruals	<i>14</i>	1,679,774	2,153,329
Contract liabilities		44,181	34,882
Receipts in advance		11,762	13,529
Loans from an intermediate holding company		873,000	873,000
Lease liabilities	<i>11(b)</i>	19,690	19,948
Income tax payable		36,298	32,447
		<hr/>	<hr/>
Total current liabilities		2,664,705	3,127,135
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net current assets/(liabilities)		659,406	(320,868)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets less current liabilities		4,536,590	3,441,619
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

	<i>Notes</i>	2021 \$'000	2020 \$'000
Non-current liabilities			
Contract liabilities		65,765	57,162
Lease liabilities	<i>11(b)</i>	404,746	421,825
Deferred tax liabilities		218,980	176,039
		<hr/>	<hr/>
Total non-current liabilities		689,491	655,026
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET ASSETS		3,847,099	2,786,593
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Equity			
Equity attributable to owners of the parent			
Share capital	<i>15</i>	469,735	469,735
Retained earnings		567,884	367,688
Other reserves		1,496,280	1,382,558
		<hr/>	<hr/>
		2,533,899	2,219,981
Non-controlling interests		1,313,200	566,612
		<hr/>	<hr/>
TOTAL EQUITY		3,847,099	2,786,593
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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. 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 9, *Interest Rate Benchmark Reform – Phase 2*

HKAS 39, HKFRS 7,

HKFRS 4 and HKFRS 16

Amendment to HKFRS 16

*Covid-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured by adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations 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, 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 2021

	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	565,478	200,916	107,265	873,659
Intersegment sales	—	341	—	341
	<u>565,478</u>	<u>201,257</u>	<u>107,265</u>	<u>874,000</u>
<i>Reconciliation:</i>				
Elimination of intersegment sales				<u>(341)</u>
Revenue from continuing operations				<u><u>873,659</u></u>
Segment profit	167,470	38,863	30,542	236,875
<i>Reconciliation:</i>				
Other income and gains, net (note 5)				218,189
Finance costs (other than interest on lease liabilities) (note 7)				(34,824)
Corporate and other unallocated expenses				<u>(21,880)</u>
Profit before tax from continuing operations				<u><u>398,360</u></u>
Segment assets	652,680	175,539	1,596,930	2,425,149
<i>Reconciliation:</i>				
Corporate and other unallocated assets				<u>4,776,146</u>
Total assets				<u><u>7,201,295</u></u>
Segment liabilities	965,994	152,561	57,496	1,176,051
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>2,178,145</u>
Total liabilities				<u><u>3,354,196</u></u>

Other segment information

Year ended 31 December 2021

	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Investment properties leasing \$'000	Total \$'000
Impairment loss recognised in the statement of profit or loss, net: <i>(note 5)</i>				
— Segment assets	(1,246)	67,618	4	66,376
— Unallocated assets				19,361
				<u>85,737</u>
Depreciation and amortisation <i>(note 6)</i>				
— Segment assets	41,465	291	94	41,850
— Unallocated assets				1,797
				<u>43,647</u>
Capital expenditure*				
— Segment assets	29,911	575	—	30,486
— Unallocated assets				6
				<u>30,492</u>

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

Year ended 31 December 2020

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

Other segment information

Year ended 31 December 2020

	Hotel operation and management services \$'000	Hotel design and construction management services \$'000	Investment properties leasing \$'000	Total \$'000
Impairment loss recognised in the statement of profit or loss, net: <i>(note 5)</i>				
— Segment assets	30,872	(6,067)	(914)	23,891
— Unallocated assets				—
				<u>23,891</u>
Depreciation <i>(note 6)</i>				
— Segment assets	36,015	339	91	36,445
— Unallocated assets				1,784
				<u>38,229</u>
Capital expenditure*				
— Segment assets	52,348	195	8	52,551
— Unallocated assets				7
				<u>52,558</u>

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

Geographical information

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

	Segment revenue from external customers		Specified non-current assets	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
The PRC (including Hong Kong)	<u>873,659</u>	<u>655,419</u>	<u>3,809,301</u>	<u>3,723,104</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:

	2021 \$'000	2020 \$'000
Customer A	272,858	204,338
Customer B	167,984	113,240
Customer C	48,048	71,829
	<u>488,890</u>	<u>389,407</u>

4 REVENUE

An analysis of revenue is as follows:

	2021 \$'000	2020 \$'000
<i>Revenue from contracts with customers</i>		
Hotel management services	423,392	304,658
Hotel design and construction management services	200,916	173,722
Hotel operation income	142,086	73,386
	<u>766,394</u>	<u>551,766</u>
<i>Revenue from other sources</i>		
Gross rental income from investment properties operating leases:		
Variable rent	6,599	2,712
Base rent	100,666	100,941
	<u>107,265</u>	<u>103,653</u>
	<u>873,659</u>	<u>655,419</u>

(i) *Disaggregated revenue information*

	2021 \$'000	2020 \$'000
Recognised at a point in time		
Hotel operation income from sales of goods, catering services and others	77,806	37,944
Recognised over time		
Hotel operation income from rooms	64,280	35,442
Hotel management services	423,392	304,658
Hotel design and construction management services	200,916	173,722
Revenue from contracts with customers	766,394	551,766

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:

	2021 \$'000	2020 \$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	285	9,983
Loyalty programme management services	15,343	12,297
Hotel management services	12,104	6,154
Hotel design and construction management services	5,626	201
Others	363	57
	33,721	28,692

(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 design and construction management services as at 31 December are as follows:

	2021	2020
	<i>\$'000</i>	<i>\$'000</i>
Amounts expected to be recognised as revenue:		
Within one year	155,529	193,949
After one year	117,103	157,486
	<u>272,632</u>	<u>351,435</u>

5 OTHER INCOME AND GAINS, NET

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

	2021	2020
	<i>\$'000</i>	<i>\$'000</i>
Bank interest income	52,735	16,691
Interest income on long-term receivable	111,239	10,690
Other interest income from financial assets at fair value through profit or loss	3,787	13,133
Exchange (loss)/gain, net	(12,046)	20,999
(Impairment)/reversal of impairment of financial and contract assets, net:		
— Impairment of trade receivables	(59,828)	(23,389)
— Reversal of impairment of other receivables	9	800
— Impairment of contract assets	(6,557)	(1,302)
— Impairment of long-term receivable	(19,361)	—
Other income due to breach of contracts by customers	142,535	14,409
Others	5,676	3,389
	<u>218,189</u>	<u>55,420</u>

6 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	<i>Notes</i>	2021 \$'000	2020 \$'000
Cost of goods sold		66,122	30,408
Cost of services provided		319,267	221,998
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		26,344	11,831
		411,733	264,237
Depreciation of property, plant and equipment		10,406	8,946
Depreciation of right-of-use assets	<i>11(c)</i>	32,922	29,283
Amortisation of intangible assets		319	—
Lease payments not included in the measurement of lease liabilities	<i>11(c)</i>	7,084	7,835
Decrease in fair value of investment properties		53,049	34,538
Auditor's remuneration			
— Annual audit services		1,145	1,095
— Non-audit services		861	1,164
Employee benefit expense (excluding directors' remuneration)			
— Salaries, wages and other benefits		109,414	93,915
— Contributions to defined contribution retirement plans		4,474	932
		113,888	94,847

7 FINANCE COSTS

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

	2021 \$'000	2020 \$'000
Interest on loans from an intermediate holding company	34,824	92,243
Interest on lease liabilities (<i>note 11(b)</i>)	19,788	19,649
	<u>54,612</u>	<u>111,892</u>

8 INCOME TAX

	2021 \$'000	2020 \$'000
Current tax		
Corporate Income Tax (<i>note (iii)</i>)		
— Charge for the year	134,661	65,039
— Overprovision in prior years	(5,562)	—
Deferred tax	10,565	(25,630)
Total income tax expense for the year from continuing operations	<u>139,664</u>	<u>39,409</u>
Total income tax expense for the year	<u>139,664</u>	<u>39,409</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% (2020: 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% (2020: 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. 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 (2020: 4,697,347,000) in issue during the year.

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

	2021	2020
	\$'000	\$'000
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation:		
From continuing operations	240,506	84,754
From the discontinued operation (<i>note 10</i>)	—	80,377
	<u>240,506</u>	<u>165,131</u>
	2021	2020
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations (<i>note 15</i>)	<u>4,697,347</u>	<u>4,697,347</u>

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2021 (2020: Nil).

10 DISCONTINUED OPERATION

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

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

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

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

	2020 \$'000
Operating activities	(851,479)
Investing activities	(179,358)
Financing activities	1,004,388
Effect of foreign exchange rate changes	(72)
	<hr/>
Net cash flow	<u>(26,521)</u>

(c) Earnings per share (HK cents)

	2020
Basic and diluted, from the discontinued operation	<u>1.7</u>

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

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

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	Warehouses \$'000	Machinery \$'000	Total \$'000
As at 1 January 2020	37,563	251,536	132	—	289,231
Additions	820	126,874	—	486	128,180
Depreciation charge	(9,352)	(19,600)	(136)	(195)	(29,283)
Exchange realignment	1,920	19,665	4	10	21,599
	<u>37,951</u>	<u>281,475</u>	<u>136</u>	<u>496</u>	<u>320,058</u>
As at 31 December 2020 and 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
	<u>19,505</u>	<u>358,175</u>	<u>—</u>	<u>526</u>	<u>378,206</u>

(b) Lease liabilities

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

	2021 \$'000	2020 \$'000
Carrying amount at 1 January	441,773	295,189
New leases	1,277	128,180
Accretion of interest recognised during the year (<i>note 7</i>)	19,788	19,649
Payments	(35,679)	(24,227)
Effect of lease modification	(4,990)	—
Covid-19-related rent concessions from lessors	—	(183)
Exchange realignment	2,267	23,165
	<u>424,436</u>	<u>441,773</u>
Carrying amount at 31 December	<u>424,436</u>	<u>441,773</u>
Analysed into:		
Current portion	19,690	19,948
Non-current portion	404,746	421,825
	<u>424,436</u>	<u>441,773</u>

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

	2021 \$'000	2020 \$'000
Interest on lease liabilities (<i>note 7</i>)	19,788	19,649
Depreciation charge of right-of-use assets	32,922	29,283
Expense relating to short-term leases (included in cost of sales and administrative expenses) (<i>note 6</i>)	6,898	7,747
Expense relating to leases of low-value assets (included in cost of sales and administrative expenses) (<i>note 6</i>)	186	88
Covid-19-related rent concessions from lessors	—	(183)
	<hr/>	<hr/>
Total amount recognised in profit or loss	59,794	56,584

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 \$107,265,000 (2020: \$103,653,000), details of which are included in note 4 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 \$'000	2020 \$'000
Within one year	92,974	80,921
After one year but within two years	64,158	56,523
After two years but within three years	39,411	40,094
After three years but within four years	28,052	29,641
After four years but within five years	19,367	23,331
After five years	92,520	103,370
	<hr/>	<hr/>
	336,482	333,880

12 TRADE AND BILLS RECEIVABLES

	2021 \$'000	2020 \$'000
Trade receivables	277,086	340,257
Impairment	<u>(117,033)</u>	<u>(54,702)</u>
	160,053	285,555
Bills receivables	<u>10,111</u>	<u>56,274</u>
	<u><u>170,164</u></u>	<u><u>341,829</u></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:

	2021 \$'000	2020 \$'000
Within 3 months	82,159	111,859
Over 3 months but within 6 months	7,641	59,315
Over 6 months but within 12 months	26,872	56,853
Over 12 months	<u>43,381</u>	<u>57,528</u>
	<u><u>160,053</u></u>	<u><u>285,555</u></u>

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

	2021 \$'000	2020 \$'000
At 1 January	54,702	28,493
Impairment during the year, net		
— continuing operations (note 5)	59,828	23,389
Exchange realignment	<u>2,503</u>	<u>2,820</u>
At 31 December	<u><u>117,033</u></u>	<u><u>54,702</u></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 2021, the trade receivables amounting to \$105,377,000 (2020: \$48,037,000) 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 2021

	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%	30.820%	6.788%
Gross carrying amount (\$'000)	<u>83,846</u>	<u>7,697</u>	<u>11,672</u>	<u>35,755</u>	<u>32,739</u>	<u>171,709</u>
Expected credit losses (\$'000)	<u><u>575</u></u>	<u><u>55</u></u>	<u><u>110</u></u>	<u><u>826</u></u>	<u><u>10,090</u></u>	<u><u>11,656</u></u>

As at 31 December 2020

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

13 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<i>Notes</i>	2021 <i>\$'000</i>	2020 <i>\$'000</i>
Current portion			
Prepayments		13,108	7,209
Deposits and other receivables		55,588	62,572
Amounts due from related parties	<i>a</i>	3,807	263
Amounts due from intermediate holding companies	<i>a</i>	25,163	11,457
		97,666	81,501
Impairment allowance	<i>b</i>	(15,719)	(15,528)
		81,947	65,973
Non-current portion			
Long-term receivable	<i>c</i>	1,713,833	1,592,983
Impairment allowance	<i>c</i>	(19,418)	—
		1,694,415	1,592,983

- (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:

	2021 <i>\$'000</i>	2020 <i>\$'000</i>
At 1 January	15,528	16,537
Impairment during the year reversed in profit or loss, net		
— continuing operations (<i>note 5</i>)	(9)	(800)
Exchange realignment	200	(209)
At 31 December	15,719	15,528

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 \$1,694,415,000 (equivalent to US\$217,286,000) represented the deferred amount arising from the disposal of Parcel C and relevant interest generated. The deferred amount is secured by a mortgage on certain condominium units under development of Parcel C.

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

	2021
	\$'000
At 1 January	–
Impairment during the year recognised	
— continuing operations (<i>note 5</i>)	19,361
Exchange realignment	57
	<hr/>
At 31 December	19,418
	<hr/> <hr/>

14 TRADE AND OTHER PAYABLES, AND ACCRUALS

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

	<i>Notes</i>	2021	2020
		\$'000	\$'000
Trade payables	<i>a</i>	23,290	52,745
Other payables and accruals		310,713	238,106
Interest payable to an intermediate holding company	<i>b</i>	256,589	221,291
Amounts due to an intermediate holding company	<i>c</i>	786,930	1,430,424
Amounts due to related parties	<i>c</i>	302,252	210,763
		<hr/>	<hr/>
		1,679,774	2,153,329
		<hr/> <hr/>	<hr/> <hr/>

Notes:

- a. None of the Group's trade payables are expected to be settled after more than one year (2020: Nil).

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

	2021 \$'000	2020 \$'000
Within 3 months	14,814	10,017
Over 3 months but within 6 months	19	250
Over 6 months but within 12 months	556	6,238
Over 12 months	7,901	36,240
	<u>23,290</u>	<u>52,745</u>

- b. The amount of \$256,589,000 (2020: \$221,291,000) 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

	2021 \$'000	2020 \$'000
Issued and fully paid:		
4,697,346,488 (2020: 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 2021 (2020: Nil).

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.

2021 BUSINESS REVIEW

BUSINESS REVIEW

During 2021, the Group’s principal businesses are divided into the following three business segments:—

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

HOTEL BUSINESS

During 2021, the Group’s hotel businesses have been operated by Wanda Hotel Management (HK) Co., Ltd. (“Wanda Hotel Management”), which is a leading hotel services provider in the People’s Republic of China (the “PRC”) and is principally engaged in the business of hotel management and operations, hotel design and construction management and related consultancy and other ancillary business, with comprehensive capabilities in hotel management and operation.

Hotel Management and Operation

During 2021, the Group opened 15 new hotels which were in operation. As of 31 December 2021, the hotel network under the Group’s management consisted of 89 hotels with 23,268 rooms in operation covering 74 cities in PRC and Istanbul of Turkey, and an additional 171 hotels were contracted to be managed by Wanda Hotel Management but are still under development and have not commenced operation yet.

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

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

Hotel Brand	Brand Positioning	Service Features
Wanda Yi	<ul style="list-style-type: none"> Upscale living style 	<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 Moments	<ul style="list-style-type: none"> Upper mid-scale 	<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"> Mid-scale 	<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

The following table sets forth a breakdown by hotel brands and operational model of hotels in operation managed by Wanda Hotel Management as at 31 December 2021—

	Leased-and-Operated Hotels	Managed Hotels	Franchised Hotels	Number of Hotel Room
Wanda Reign	—	3	—	842
Wanda Vista	—	19	—	5,735
Wanda Realm	—	39	2	11,502
Wanda Jin	—	6	1	1,688
Wanda Yi	1	1	—	686
Wanda Moments	3	8	—	1,641
Wanda Yue	—	3	—	696
Others	—	2	1	478
Grand Total	4	81	4	23,268

Leased and operated hotels

As of 31 December 2021, the Group had four leased-and-operated hotels, accounting for approximately 4% of our hotels in operation. Under the leased-and-operated hotels model, the Group leases hotels from hotel owners and manages and operates these hotels with all of the accompanying expenses borne by the Group.

For our leased-and-operated hotels, we are responsible for recruiting, training and supervising the hotel managers and employees, paying for leases and costs associated with construction and renovation of these hotels, and purchasing all supplies and other required equipment. The terms of our leases typically range from 15 to 20 years, with an initial two to 15-month rent-free period. We generally pay fixed rent on a quarterly or biannual basis for the first three to five years of the lease term, after which we are generally subject to a pre-determined rent increase annually. Our leases usually allow for term extensions by mutual agreement. As of 31 December 2021, none of our leases were expected to expire in 2022.

Managed hotels

As of 31 December 2021, we had 81 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 2021, we had four franchised hotels, accounting for approximately 4% of all of our hotels in operation. Under the franchised hotel model, we license our relevant brand to hotel owners similar to the managed hotel model, but we provide training, reservation and support services to the franchised hotels and collect fees from franchisees and do not appoint on-site hotel management personnel.

For our franchised hotels, we offer hotel owners the right to use our brand name, logo, operating manuals and procedures and convert the franchised hotels in accordance with our brand standard similar to our managed hotels. However, as opposed to appointing hotel managers to manage the hotels on-site, we provide training to hotel staff and offer reservation and support services to the franchised hotels. In order to ensure that services offered by the franchised hotels are of quality consistent with other hotels managed by us, the Group carries out periodic assessments 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 that 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 2021:—

	For Year Ended 31 December	
	2021	2020
Occupancy rate (%)		
All hotels	47.6%	44.2%
Upscale and above hotels	47.6%	43.8%
Midscale hotels	47.5%	53.8%
Average daily rate (RMB)		
All hotels	539	519
Upscale and above hotels	560	530
Midscale hotels	274	268
RevPAR (RMB)		
All hotels	257	230
Upscale and above hotels	267	232
Midscale hotels	130	144

Hotel design and construction management

The Group’s hotel design and construction management business targets the same client base as the hotel management and operation business. Our hotel design business mainly provides interior and mechanical, electrical and plumbing design services (including interior, furnishing, lighting, early and later stage design services, mechanical and electrical parts design, kitchen and back-of-house areas design services) and 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.

FINANCIAL REVIEW

Revenue

The Group revenue for the year ended 31 December 2021 and 2020 by segment can be analyzed as below:—

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
Hotel operation and management services	565,478	378,044	187,434	49.6
Hotel design and construction management services	200,916	173,722	27,194	15.7
Investment properties leasing	107,265	103,653	3,612	3.5
Total	<u>873,659</u>	<u>655,419</u>	<u>218,240</u>	<u>33.3</u>

Hotel operation and management services revenue increased to approximately HK\$565.5 million in 2021 from approximately HK\$378 million in 2020. Such revenue growth was mainly due to: i) the increase in hotel management service fee income by approximately 39% to approximately HK\$423.4 million in 2021 as compared to approximately HK\$304.6 million in 2020, since the performance of hotels managed by the Group recovered steadily during the year, as reflected by the increase in RevPAR, as calculated by multiplying average daily rate by occupancy rate of hotels managed by the Group, to RMB257 during the year (2020: RMB230), following the easing of COVID-19 coronavirus pandemic (the “Pandemic”) related travel advisories or restrictions in the PRC; ii) the hotel operation revenue increased significantly by approximately 93.6% to approximately HK\$142.1 million as compared to approximately HK\$73.4 million in 2020, mainly attributable to the opening of one new leased-and-operated hotel during the year and the improved performance of three leased-and-operated hotels, which were opened before 2021, due to the easing of the severe disruption from the outbreak of the Pandemic in early 2020 and the increase in revenue from sales of goods and catering services which was doubled to approximately HK\$77.8 million in 2021 as compared to approximately HK\$37.9 million in 2020.

Hotel design and construction management services revenue increased to approximately HK\$200.9 million in 2021 as compared to approximately HK\$173.7 million in 2020, mainly due to additional revenue from accelerated work progress to catch up with delay of construction works during the Pandemic in 2020 and additional new hotel design and construction management service contracts in 2021.

Investment properties leasing revenue increased to approximately HK\$107.3 million in 2021 from approximately HK\$103.7 million in 2020, mainly due to higher variable rental income recorded as a result of gradual recovery of the retail market in the PRC.

Cost of sales

Cost of sales of the Group rose by 56% to approximately HK\$411.7 million for the year ended 31 December 2021 from HK\$264.2 million for 2020 primarily due to an increase in sales resulting from easing of the Pandemic-related travel advisories and restrictions in the PRC.

Gross profit and margin

Gross profit rose to approximately HK\$461.9 million in 2021 from approximately HK\$391.2 million in 2020. The gross profit margin decreased to approximately 52.9% in 2021 from approximately 59.7% in 2020. Such profit margin decline was primarily attributed to higher direct staff costs incurred in the hotel management and hotel design and construction management business. Moreover, sales of goods and catering services revenue with a lower margin which accounted for a higher proportion of the revenue in 2021 also contributed to margin decline.

Net valuation loss on investment properties

Net valuation loss on investment properties of the Group increased to approximately HK\$53 million in 2021, as compared to approximately HK\$34.5 million in 2020.

Segment results

The following table illustrates the segment results of the Group for the year ended 31 December 2021 and 2020 respectively:—

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Changes <i>HK\$'000</i>	%
Hotel operation and management services	167,470	92,958	74,512	80.2
Hotel design and construction management services	38,863	51,102	(12,239)	(24.0)
Investment properties leasing	30,542	53,062	(22,520)	(42.4)
Total	<u>236,875</u>	<u>197,122</u>	<u>39,753</u>	<u>20.2</u>

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

Hotel operation and management services segment profit increased to approximately HK\$167.5 million in 2021 from approximately HK\$93 million in 2020, primarily due to significant segment revenue increase as above mentioned.

Hotel design and construction management services segment profit decreased to approximately HK\$38.9 million in 2021 from approximately HK\$51.1 million in 2020. The segment profit decrease was mainly due to higher staff costs resulting from increased headcount to meet the requirement for new projects. The absence of various concessions in 2021 which were available from the government in 2020 also contributed to the segment profit decrease.

Investment properties leasing segment profit for the year decreased to approximately HK\$30.5 million from approximately HK\$53.1 million in 2020, primarily due to investment properties' net valuation loss of approximately HK\$53 million (2020: HK\$34.5 million) recorded for the Guilin Project in 2021.

Other income and gains, net

The Group's net other income and gains increased by approximately 293.7% to HK\$218.2 million in 2021, primarily due to:—

- i) interest income in relation to the deferred amount from the Chicago project disposal, which closed in November 2020, amounted to approximately HK\$111.2 million in 2021, as compared to approximately HK\$10.7 million in 2020. For further details of the Chicago project disposal, please refer to the company announcement dated 30 July 2020, 17 August 2020 and 25 November 2020 and the Company's circular dated 29 September 2020;
- ii) termination compensation of approximately HK\$139.4 million received from Sunac China Holdings Limited in year 2021 in relation to its early termination of the hotel management agreements for their 21 hotels managed by the Group;
- iii) management has analyzed expected credit loss ("ECL") on long term receivable under the requirement of accounting standard HKFRS9. The scope of the ECL analysis includes the analysis of the marcoeconomy of USA, the 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. Based on the abovementioned analysis, the ECL as of year end of 2021 was estimated to be approximately HK\$19.4 million; and
- iv) impairment of the trade receivable provided for 2021 amounted to approximately HK\$59.8 million (2020: approximately HK\$23.4 million) after impairment analysis performed by the management by reference to the credit risk characteristics of trade receivables as at 31 December 2021.

Selling and administrative expenses

Selling and administrative expenses increased slightly to approximately HK\$174.1 million in 2021 from approximately HK\$164.7 million in 2020. The ratio of selling and administrative expenses over revenue decreased to 19.9% in 2021 from 25.1% in 2020, primarily attributable to vigorous cost-monitoring measures implemented by the Group to cope with the volatile business environment as a result of the Pandemic.

Finance costs

Finance costs were halved to approximately HK\$54.6 million in 2021 from approximately HK\$111.9 million in 2020, primarily due to partial repayment of loans from an intermediate holding company by end of 2020.

Income tax expense

The Group reported an income tax expense of approximately HK\$139.7 million in 2021, as compared to approximately HK\$39.4 million in 2020, primarily due to an increase of profit before tax for the year as compared to last year.

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

As a result of the foregoing, the following illustrates the Group's profit for the year and profit attributable to equity holders of the Company for 2021 and 2020 respectively:—

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	Changes <i>HK\$'000</i>
Profit attributable to:—			
— Equity holders of the parent	240,506	165,131	75,375
— Non-controlling interests	18,190	65,025	(46,835)
Profit for the year	<u>258,696</u>	<u>230,156</u>	<u>28,540</u>

Net assets and equity attributable to equity holders of the parent

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

	As at 31 December	
	2021 <i>HK\$ million</i>	2020 <i>HK\$ million</i>
Total assets	7,201.3	6,568.8
Total liabilities	3,354.2	3,782.2
Net assets	3,847.1	2,786.6
Equity attributable to equity holders of the parent	2,533.9	2,220.0

Liquidity, borrowing and financial resources

As at 31 December 2021, the Group's cash amounted to approximately HK\$3,007.2 million as compared with HK\$2,375.3 million as at 31 December 2020. Below set out the analysis of cash by currency type:—

	As at 31 December	
	2021 <i>(% of total cash)</i>	2020 <i>(% of total cash)</i>
Renminbi ("RMB")	96	94
Australia Dollar ("AUD")	3	4
United States Dollar ("USD")	1	1
Hong Kong Dollar	—	1
	<u>100</u>	<u>100</u>

As at 31 December 2021, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 1.2 as compared with 0.9 as at 31 December 2020. Excluding a loan from an immediate holding company of approximately HK\$873 million presented under current liabilities, the current ratio at 31 December 2021 would become 1.9 as compared with 1.2 as at 31 December 2020.

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Total Debts		
Interest-bearing and repayable within one year:		
Loan from an intermediate holding company	873,000	873,000

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Total debts	873,000	873,000
Less: Total cash and bank balances	3,007,164	2,375,300
Net debts/(cash)	(2,134,164)	(1,502,300)
Total equity	3,847,099	2,786,593
Total assets	7,201,295	6,568,754
Gearing ratios:		
Net debts over aggregate of net debts and total equity	Net cash	Net cash
Net debts over total assets	Net cash	Net cash

Foreign currency and interest rate exposure

The Group's business is principally conducted in RMB. The functional currency of the Group's subsidiaries in the PRC is RMB and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The Group is exposed to currency risk primarily through the long-term receivable and amount payable to an intermediate holding company that is 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 the Group did not have any hedging instruments outstanding as at 31 December 2021.

As at 31 December 2021, the interest-bearing loan of HK\$873 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 and consider a mix of fixed and floating rate loans 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 2021, the Group had no pledge of its assets (2020: Nil).

CHANGES IN SHARE CAPITAL

There are no changes in the Company's share capital during the year ended 31 December 2021.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had provided guarantees in an aggregate amount of approximately HK\$1.7 million (2020: HK\$1.5 million) to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon the execution of individual purchasers' collateral agreements.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANY

The Group had no acquisition or disposal of subsidiaries and associated companies during the year ended 31 December 2021.

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 2021, the Group had around 616 full-time employees, who are located in the PRC, Hong Kong and the USA.

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

DIVIDEND

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

OUTLOOK

With effective pandemic control measures implemented by the Chinese government, the economy in the PRC rebounded strongly as the government introduced various policies to encourage domestic consumption. Particularly in the first half of 2021, we saw a sustained recovery in domestic tourism and business. Nevertheless, with the upsurge of COVID-19 Delta cases and its spread to other provinces and cities during the second half of the year, our operating performance has been impacted negatively. The Group will be cautious in our business operation and identify good investment opportunities to expand our hotel business. Moreover, the Group will continue the expansion of its hotel business and plan to open 15-20 new hotels in 2022.

For the property business of the Group, we will continue to improve the operating efficiency of our property asset and review and evaluate its future plans.

The Group will continue to prudently seek profitable investment opportunities, further expand the Group's sources of revenue, enhance the Group's profitability and maximize return for its shareholders.

OTHER INFORMATION

SHARE OPTIONS SCHEME

The Company did not have any effective share option scheme as at 31 December 2021.

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 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the provisions of the Model Code during the year ended 31 December 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

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

- (i) Code Provision A.6.7 which stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other important business engagements at the relevant time, not all independent non-executive directors and non-executive directors attended the annual general meeting of the Company held on 2 June 2021 and the special general meeting of the Company held on 29 December 2021; and
- (ii) Code Provision E.1.2 which stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 2 June 2021.

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 2021 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 2021 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 2021 will be dispatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 23 March 2022

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