萬達酒店發展有限公司

WANDA HOTEL DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 169)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "Board") of directors (the "Directors") of Wanda Hotel Development Company Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2024 (the "Period"), together with the comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2024
(Expressed in Hong Kong Dollars)

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	***$'000***	*$'000*
Revenue	*4*	**492,954**	464,089
Cost of sales		**(273,820)**	(241,104)
Gross profit		**219,134**	222,985
Other (expense)/income and gains, net	*5*	**(30,405)**	59,185
(Impairment)/reversal of impairment of long term receivable		**(984,449)**	3,372
Net valuation loss on investment properties	*10*	**–**	(1,102)
Selling expenses		**(7,815)**	(7,652)
Share of losses of joint ventures		**(181)**	(672)
Administrative expenses		**(55,134)**	(59,900)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

for the six months ended 30 June 2024

(Expressed in Hong Kong Dollars)

		Unaudited	
		Six months ended 30 June	
		2024	2023
	Notes	***$'000***	*$'000*
Finance costs	*7*	**(10,461)**	(11,056)
(Loss)/profit before tax	*6*	**(869,311)**	205,160
Income tax expense	*8*	**(26,280)**	(40,027)
(Loss)/profit for the period		**(895,591)**	165,133
Attributable to:			
Owners of the parent		**(514,941)**	140,047
Non-controlling interests		**(380,650)**	25,086
		(895,591)	165,133
(Loss)/earnings per share attributable to ordinary equity holders of the parent (HK cents)	*9*		
Basic and diluted		**(11.0)**	3.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024

(Expressed in Hong Kong Dollars)

	Unaudited	
	Six months ended 30 June	
	2024	2023
	$'000	*$'000*
(Loss)/profit for the period	**(895,591)**	165,133
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(15,348)**	(67,687)
Other comprehensive loss for the period, net of tax	**(15,348)**	(67,687)
Total comprehensive (loss)/income for the period	**(910,939)**	97,446
Attributable to:		
Owners of the parent	**(527,644)**	87,040
Non-controlling interests	**(383,295)**	10,406
	(910,939)	97,446

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024

(Expressed in Hong Kong dollars)

	Notes	**Unaudited 30 June 2024 *$'000***	Audited 31 December 2023 *$'000*
Non-current assets			
Property, plant and equipment		**127,034**	143,356
Investment properties	*10*	**1,369,625**	1,379,375
Right-of-use assets		**264,173**	291,082
Intangible assets		**25,140**	18,082
Investments in joint ventures		**999**	856
Long-term receivables	*12*	**896,155**	1,878,971
Deferred tax assets		**85,658**	79,376
Total non-current assets		**2,768,784**	3,791,098
Current assets			
Inventories		**459**	434
Trade and bills receivables	*11*	**208,948**	189,110
Contract assets		**89,955**	97,818
Prepayments, other receivables and other assets	*12*	**106,259**	110,381
Income tax recoverable		**745**	4,597
Restricted bank balance		**13,663**	13,021
Cash and cash equivalents		**354,396**	346,148
Total current assets		**774,425**	761,509
Current liabilities			
Trade payables, other payables and accruals	*13*	**355,696**	413,506
Contract liabilities		**109,619**	109,998
Receipts in advance		**10,577**	9,842
Loans from an intermediate holding company		**2,479**	4,342
Lease liabilities		**25,576**	25,566
Income tax payables		**91,298**	91,205
Total current liabilities		**595,245**	654,459
Net current assets		**179,180**	107,050
Total assets less current liabilities		**2,947,964**	3,898,148

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 30 June 2024

(Expressed in Hong Kong dollars)

	Notes	Unaudited 30 June 2024 $'000	Audited 31 December 2023 $'000
Non-current liabilities			
Contract liabilities		**120,893**	107,771
Lease liabilities		**318,462**	329,626
Deferred tax liabilities		**172,977**	174,318
Total non-current liabilities		**612,332**	611,715
NET ASSETS		**2,335,632**	3,286,433
Equity			
Equity attributable to owners of the parent			
Share capital	*14*	**469,735**	469,735
Retained earnings		**327,335**	842,276
Other reserves		**1,383,304**	1,396,007
		2,180,374	2,708,018
Non-controlling interests		**155,258**	578,415
TOTAL EQUITY		**2,335,632**	3,286,433

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1. CORPORATE INFORMATION

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

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in hotel operation and management, hotel design and construction management services and investment properties leasing in the People's Republic of China (the "PRC") and overseas during the six months ended 30 June 2024 (the "Period").

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

This unaudited interim condensed consolidated financial information has been approved for issue by the Board on 28 August 2024.

2. BASIS OF PREPARATION, ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

This interim condensed consolidated financial information for the Period has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

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

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

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the revised standards in the Period has had no material impact on the amounts reported in these interim condensed consolidated financial statements and/or disclosures set in these interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns different from those of the other operating segments. The Group has three reportable operating segments and particulars of the Group's reportable operating segments are summarised as follows:

(a) hotel operation and management services;

(b) hotel design and construction management services; and

(c) leasing of investment properties held by the Group for long-term investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is measured by adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that non-lease-related finance costs, other expense/income and gains, net, impairment of long term receivable as well as corporate and other unallocated expense 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, loan from an intermediate holding company, income tax payables and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

3. OPERATING SEGMENT INFORMATION (Continued)

(i) Segment results, assets and liabilities

Six months ended 30 June 2024 (unaudited)

	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	**361,537**	**84,200**	**47,217**	**492,954**
Segment profit	**116,514**	**2,012**	**35,350**	**153,876**
Reconciliation:				
Other (expense)/income and gains, net *(note 5)*				**(30,405)**
Impairment of long term receivable				**(984,449)**
Finance costs (other than interest on lease liabilities) *(note 7)*				**(71)**
Corporate and other unallocated expense				**(8,262)**
Loss before tax				**(869,311)**

As at 30 June 2024 (unaudited)

	Hotel operation and management services $'000	Hotel design and construction management services $'000	Investment properties leasing $'000	Total $'000
Segment assets	**601,774**	**224,229**	**1,385,625**	**2,211,628**
Reconciliation:				
Corporate and other unallocated assets				**1,331,581**
Total assets				**3,543,209**
Segment liabilities	**751,111**	**76,189**	**96,138**	**923,438**
Reconciliation:				
Corporate and other unallocated liabilities				**284,139**
Total liabilities				**1,207,577**

3. OPERATING SEGMENT INFORMATION (Continued)

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

Six months ended 30 June 2023 (unaudited)

	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	335,718	84,436	43,935	464,089
Segment profit	111,607	12,468	26,517	150,592
Reconciliation:				
Other income and gains, net *(note 5)*				59,185
Reversal of impairment of long term receivable				3,372
Finance costs (other than interest on lease liabilities) *(note 7)*				(180)
Corporate and other unallocated expense				(7,809)
Profit before tax				205,160
As at 31 December 2023 (audited)				
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

3. OPERATING SEGMENT INFORMATION (Continued)

(ii) Geographical information

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

	Segment revenue from external customers		**Specified non-current assets**	
	Unaudited Six months ended 30 June		**Unaudited 30 June**	Audited 31 December
	2024	2023	**2024**	2023
	$'000	*$'000*	***$'000***	*$'000*
The PRC (including Hong Kong)	**490,732**	461,785	**1,815,039**	1,857,977
Overseas	**2,222**	2,304	**868,087**	1,853,745
	492,954	464,089	**2,683,126**	3,711,722

4. REVENUE

An analysis of revenue is as follows:

	Unaudited Six months ended 30 June	
	2024	2023
	$'000	*$'000*
Revenue from contracts with customers		
Hotel management services	**275,618**	254,050
Hotel design and construction management services	**84,200**	84,436
Hotel operation income	**85,919**	81,668
	445,737	420,154
Revenue from other sources		
Gross rental income from investment properties operating leases:		
Variable rent	**2,095**	2,145
Base rent	**45,122**	41,790
	47,217	43,935
	492,954	464,089

Disaggregated revenue information for revenue from contracts with customers

	Unaudited Six months ended 30 June	
	2024	2023
	$'000	*$'000*
Recognised at a point in time		
Hotel operation income from sales of goods, catering services and others	**57,416**	48,396
Recognised over time		
Hotel operation income from rooms	**28,503**	33,272
Hotel management services	**275,618**	254,050
Hotel design and construction management services	**84,200**	84,436
Revenue from contracts with customers	**445,737**	420,154

5. OTHER (EXPENSE)/INCOME AND GAINS, NET

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

	Unaudited Six months ended 30 June **2024**	 2023
	$'000	*$'000*
Bank interest income	**1,195**	4,884
Interest income on long-term receivable	**–**	62,898
Exchange gains, net	**8,608**	9,853
Impairment of financial and contract assets, net:		
– Impairment of trade receivables	**(17,087)**	(26,274)
– Impairment of other receivables	**(550)**	(2,563)
– Impairment of contract assets	**(8,799)**	(2,081)
Impairment of property, plant and equipment	**(4,242)**	–
Impairment of right-of-use assets	**(10,530)**	–
Government grants	**–**	11,763
Others	**1,000**	705
	(30,405)	59,185

6. (LOSS)/PROFIT BEFORE TAX

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

	Unaudited Six months ended 30 June **2024**	 2023
	$'000	*$'000*
Cost of goods sold	**45,440**	38,202
Cost of services provided	**228,380**	202,902
	273,820	241,104
Depreciation of property, plant and equipment	**8,648**	8,446
Depreciation of right-of-use assets	**15,936**	15,435
Lease payments not included in the measurement of lease liabilities	**1,594**	3,052
Loss on disposal of property, plant and equipment	**12**	–

7. FINANCE COSTS

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

	Unaudited Six months ended 30 June	
	2024	2023
	$'000	*$'000*
Interest on loans from an intermediate holding company	**71**	180
Interest on lease liabilities	**10,390**	10,876
	10,461	11,056

8. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2024	2023
	$'000	*$'000*
Current tax – Corporate income tax		
– Charge for the period	**33,837**	54,502
– Overprovision in prior periods	**(547)**	(1,033)
Deferred tax	**(7,010)**	(13,442)
Total income tax expense for the period	**26,280**	40,027

Notes:

(i) Pursuant to the rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in Bermuda and the BVI.

(ii) Except the income tax provided at the applicable income tax rate of 28.505% for the six months ended 30 June 2023 on the assessable profits for Wanda Chicago Real Estate LLC, a subsidiary of the Company registered in the USA, no provision for Hong Kong profits tax or overseas corporate income tax has been made as the Group did not have assessable profits in Hong Kong or overseas during the period.

8. INCOME TAX EXPENSE (Continued)

(iii) The PRC Corporate Income Tax ("CIT")

The provision for the PRC CIT has been made at the applicable income tax rate of 25% (six months ended 30 June 2023: 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 CIT exemptions in accordance with the relevant tax rules, a subsidiary of the company which was recognised as High and New Technology Enterprises in October 2023 and was entitled to a preferential tax rate of 15%, and a subsidiary of the Company established in Zhuhai, Guangzhou Province, which enjoys a preferential tax rate of 15% and certain subsidies which 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. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,697,347,000 (six months ended 30 June 2023: 4,697,347,000) in issue during the Period.

(b) Diluted earnings per share

The Group had no potentially dilutive ordinary shares in issue during the Period and the six months ended 30 June 2023.

10. INVESTMENT PROPERTIES

During the Period, the Group has no addition in investment properties (six months ended 30 June 2023: Nil).

Investment properties carried at fair value were revalued as at 30 June 2024 based on valuations performed by an independent qualified valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd. ("Cushman & Wakefield"). Cushman & Wakefield is an industry specialist in investment property valuation, which has the appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation for completed investment properties was arrived at by considering the capitalised income to be derived from the existing tenancies and the reversionary potential of the properties, where appropriate, by reference to market evidence of transaction prices for the similar properties in the same locations and conditions. There were no changes to the valuation techniques during the Period. As per valuation report, there is no change in the fair value of the investment properties and there was no valuation gain or loss is recognised during the Period (six months ended 30 June 2023: loss of $1,102,000).

11. TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2024	Audited 31 December 2023
	$'000	*$'000*
Trade receivables	**387,287**	351,974
Impairment	**(178,887)**	(162,974)
	208,400	189,000
Bills receivables	**548**	110
	208,948	189,110

Receivables from leasing properties are normally settled on an advance receipt basis, where the lessees are required to pay in advance for several months' rental payment and pay a security deposit as well. However, in the case of long-standing customers with good repayment history, the Group may offer these customers credit terms.

For the business of the hotel operation, receivables are normally settled in advance. However, the Group may offer credit terms to 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 follow-up action is taken to recover overdue debts. The Group also reviews regularly the recoverable amount of each individual trade receivable balance to ensure that adequate provision for impairment losses are made for irrecoverable amounts. The Group does not hold any collateral or other credit enhancements over such trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	Unaudited 30 June 2024	Audited 31 December 2023
	$'000	*$'000*
Within 3 months	**98,362**	85,831
Over 3 months but within 6 months	**6,065**	19,940
Over 6 months but within 12 months	**33,852**	19,460
Over 12 months	**70,121**	63,769
	208,400	189,000

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	Unaudited 30 June 2024 $'000	Audited 31 December 2023 $'000
Current portion			
Prepayments		**23,986**	22,834
Deposits and other receivables		**81,153**	88,727
Amounts due from related parties	*(a)*	**8,353**	5,503
Amount due from intermediate holding companies	*(a)*	**11,266**	11,333
		124,758	128,397
Impairment allowance	*(b)*	**(18,499)**	(18,016)
		106,259	110,381
Non-current portion			
Long-term receivable	*(c)*	**1,964,588**	1,963,471
Impairment allowance	*(c)*	**(1,068,433)**	(84,500)
		896,155	1,878,971

Notes:

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

(b) The provision for impairment of other receivables is a provision for individually impaired other receivables.

Other than the aforementioned impaired other receivables, the financial assets included in the above balances relate to the receivables for which there was no recent history of default and past due amounts.

(c) The movements in provision for impairment of long-term receivable during the period/year are as follows:

	$'000
At 1 January 2023	48,937
Impairment during the year recognised	35,401
Exchange realignment	162
At 31 December 2023 and 1 January 2024	84,500
Impairment during the Period recognised	984,449
Exchange realignment	(516)
At 30 June 2024	1,068,433

The long-term receivables amounting to approximately $1,936,520,000 (equivalent to approximately US$247,992,000) represented the initial deferred amount ("Deferred Amount") arising from the disposal of the Company's interest in Parcel C LLC ("Parcel C") of $1,589,091,000 (equivalent to approximately US$203,500,000) and the relevant interest generated of $347,429,000 (equivalent to approximately US$44,492,000). Portion of the Deferred Amount is secured by a mortgage on 37 condominium units of Parcel C. The Debtor exercised the extension rights granted by the relevant agreement and the Company was notified on 16 October 2023 to extend the initial maturity date of the receivable from November 2023 to November 2024. The Group understood that a potential bulk sale of all unsold condominium units of Parcel C ("Potential Bulk Sale"), except for the 37 condominium units mortgaged to the Group as collateral for the Deferred Amount, was under discussion with a potential buyer. The Company anticipated that the proceeds from the Potential Bulk Sale will be used by the debtor for repayment of other loan of the debtor (and not the Deferred Amount) and may not lead to any repayment of the Deferred Amount of the Group following the Potential Bulk Sale. Hence, the Group provided an impairment loss of approximately $984,449,000 (equivalent to approximately US$126,013,000) on the basis of the remaining value of the 37 condominium units mortgaged to the Group. Further details of the repayment terms of the Deferred Amount have been set out in the Company's circular dated 29 September 2020.

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

	Notes	**Unaudited 30 June 2024 *$'000***	Audited 31 December 2023 *$'000*
Trade payables	*(a)*	**48,420**	34,443
Other payables and accruals		**242,644**	274,315
Amounts due to an intermediate holding company	*(b)*	**10,815**	80,138
Amounts due to related parties	*(b)*	**13,955**	24,610
Dividend payable	*(c)*	**39,862**	–
		355,696	413,506

Notes:

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

	Unaudited 30 June 2024 *$'000*	Audited 31 December 2023 *$'000*
Within 3 months	**41,187**	26,462
Over 3 months but within 6 months	**327**	392
Over 6 months but within 12 months	**337**	48
Over 12 months	**6,569**	7,541
	48,420	34,443

(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. The amounts due to an intermediate holding company and related parties were partially settled during the Period.

(c) The dividends payable to an intermediate holding company is unsecured and not subject to compound interests.

14. SHARE CAPITAL AND DIVIDEND

(i) Share capital

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

(ii) Dividend

No dividend has been declared in respect of the Period (six months ended 30 June 2023: Nil).

15. CONTINGENT LIABILITIES

In August 2022, a hotel owner who had engaged a subsidiary of the Group to provide hotel management services commenced a legal proceeding against the subsidiary in breach of the signed hotel management services contract and was claiming loss and damages in the sum of approximately RMB11,800,000 (equivalent to approximately $12,929,000) accordingly. As a result, a bank account of the subsidiary with balance of $12,929,000 as of 30 June 2024 (31 December 2023: $13,021,000) had been frozen by the court. After an internal assessment with a legal advice from an independent legal advisor, the Directors are of the opinion that the outcome of the proceeding cannot be ascertained at the end of the Period.

16. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

HOTEL BUSINESS

During the Period, 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 the Period, 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 157 hotels with over 33,900 rooms as of 31 December 2023 to 174 hotels with over 36,600 rooms as of 30 June 2024. As of 30 June 2024, an additional 360 hotels were contracted to be managed by the Group but were still under development and have not commenced operation yet.

Our hotel brands

The Group adopted a multi-brand strategy which was 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.
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.

Hotel Brand	**Service Features**
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 attentive 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 30 June 2024: –

	Operational Model			
	Leased-and-Operated Hotels	**Managed Hotels**	**Franchised Hotels**	**Number of Hotel Room** *('000)*
Hotel Brands				
Wanda Reign	–	4	–	0.9
Wanda Vista	–	20	1	6.1
Wanda Realm	–	44	2	12.9
Wanda Jin	–	13	3	4.6
Wanda Yi	1	6	–	1.7
Wanda Moments	3	35	–	4.5
Wanda Yue	–	27	2	3.2
Others*	–	12	1	2.7
Grand Total	**4**	**161**	**9**	**36.6**

* *Included Wanda Amber and Wanda Encore*

Leased and operated hotels

As of 30 June 2024, the Group had four leased-and-operated hotels, accounting for approximately 2.3% of our hotels in operation. Under the leased-and-operated hotels model, the Group leases hotels from hotel owners and manages and operates these hotels with all of the accompanying expenses borne by the Group.

For our leased-and-operated hotels, we are responsible for recruiting, training and supervising the hotel managers and employees, paying for leases and costs associated with construction and renovation of these hotels, and purchasing all supplies and other required equipment. Our leased-and-operated hotels are located on leased properties and the terms of our leases typically range from 15 to 20 years, with an initial 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 for term extensions by mutual agreement. As of 30 June 2024, none of our leases were expected to expire in one year.

Managed hotels

As of 30 June 2024, we had 161 managed hotels, accounting for approximately 92.5% 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 are 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, being integrated into our central reservation system and hotel management IT system, and being included in our consumable goods procurement system. The property owners are responsible for the costs of developing and operating their hotels, including the costs of renovating the hotels to meet our standards.

Franchised hotels

As of 30 June 2024, we had 9 franchised hotels, accounting for approximately 5.2% of all of our hotels in operation. Under the franchised hotel model, we license our relevant brand to hotel owners similar to the managed hotel model, but we provide training, reservation and support services to the franchised hotels, 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 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 standards 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 the Group, the Group carries out periodic assessment and reports 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, the 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 Period and the six-month period ended 30 June 2023 by service category:–

	For six-month period ended 30 June	
	2024	2023
Occupancy rate (%)		
All hotels	**51.1%**	53.4%
Full-service hotels	**48.7%**	52.2%
Limited-service hotels	**60.8%**	61.0%
Average daily rate (RMB)		
All hotels	**478**	507
Full-service hotels	**534**	545
Limited-service hotels	**298**	298
RevPAR (RMB)		
All hotels	**244**	270
Full-service hotels	**260**	284
Limited-service hotels	**181**	182

The following table sets forth our RevPAR, average daily room rate and occupancy rate for our hotels during the Period and the six-month period ended 30 June 2023 by operational model:—

	For six-month period ended 30 June	
	2024	2023
Occupancy rate (%)		
All hotels	**51.1%**	53.4%
Leased-and-operated hotels	**65.0%**	63.8%
Managed hotels	**51.2%**	53.0%
Franchised hotels	**42.7%**	51.5%
Average daily rate (RMB)		
All hotels	**478**	507
Leased-and-operated hotels	**248**	272
Managed hotels	**488**	522
Franchised hotels	**449**	398
RevPAR (RMB)		
All hotels	**244**	270
Leased-and-operated hotels	**161**	173
Managed hotels	**250**	277
Franchised hotels	**192**	205

During the Period, the RevPAR decreased by approximately 9.6% to approximately RMB244, as compared to approximately RMB270 in the corresponding period in 2023. The decrease in RevPAR was primarily due to a decrease in occupancy rate and the average daily room rate.

The following table sets out our occupancy rate, average daily room rate and RevPAR for our hotels for 2024 and 2023 respectively by service category on a quarterly basis:–

	Second Quarter		First Quarter	
	2024	2023	**2024**	2023
Occupancy rate (%)				
All hotels	**53.0%**	55.7%	**49.1%**	50.6%
Full-service hotels	**50.3%**	54.4%	**47.0%**	50.3%
Limited-service hotels	**63.8%**	66.9%	**57.7%**	53.1%
Average daily rate (RMB)				
All hotels	**453**	495	**506**	514
Full-service hotels	**503**	542	**569**	551
Limited-service hotels	**300**	311	**296**	284
RevPAR (RMB)				
All hotels	**240**	275	**249**	260
Full-service hotels	**253**	292	**268**	277
Limited-service hotels	**191**	208	**171**	151

The following table sets out our occupancy rate, average daily room rate, and RevPAR for our hotels for 2024 and 2023 respectively by operation model on a quarterly basis:-

	Second Quarter		First Quarter	
	2024	2023	**2024**	2023
Occupancy rate (%)				
All hotels	**53.0%**	55.7%	**49.1%**	50.6%
Leased-and-operated hotels	**69.6%**	71.9%	**60.5%**	55.6%
Managed hotels	**53.3%**	55.6%	**49.0%**	50.4%
Franchised hotels	**39.7%**	51.6%	**45.7%**	51.2%
Average daily rate (RMB)				
All hotels	**453**	495	**506**	514
Leased-and-operated hotels	**253**	270	**243**	275
Managed hotels	**464**	516	**514**	529
Franchised hotels	**352**	397	**530**	398
RevPAR (RMB)				
All hotels	**240**	275	**249**	260
Leased-and-operated hotels	**176**	194	**147**	153
Managed hotels	**247**	287	**252**	267
Franchised hotels	**140**	205	**243**	204

Hotel design and construction management service

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 charges design fees with reference to the building area of the hotels on a per square meter basis, depending on the type of design service rendered. Our hotel construction management business offers consultancy, project management services and renovation and refurbishment 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 reported revenue of approximately HK$493.0 million for the Period, representing a 6.2% year-on-year increase over the corresponding period in 2023. Below table sets forth the revenue breakdown by business segment: —

	For six months ended 30 June		Changes	
	2024	2023		
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**361,537**	335,718	25,819	7.7%
Hotel design and construction management services	**84,200**	84,436	(236)	–0.3%
Investment properties leasing	**47,217**	43,935	3,282	7.5%
Total	**492,954**	464,089	28,865	6.2%

1. **Hotel operation and management services** – Such segment revenue consists of three components, namely: hotel management service revenue, hotel operation income from room and hotel operation income from sales of goods, catering and others. Such revenue increased by 7.7% to approximately HK$361.5 million during the Period, as compared to approximately HK$335.7 million for the corresponding period in 2023. Hotel management service revenue rose by 8.5% to approximately HK$275.6 million for the Period from approximately HK$254.1 million for the corresponding period in 2023, mainly due to increase of the number of hotels under the Group's management. Hotel operation income from rooms of four leased-and-operated hotels decreased by 14.3% to approximately HK$28.5 million for the Period, mainly due to intense competition of the market in which such hotels were operated which impacted the price of the hotel rooms. Meanwhile, hotel operation income from sales of goods, catering services and others rose by 18.6% to approximately HK$57.4 million for the Period.

2. **Hotel design and construction management services** – Such revenue slightly dropped by 0.3% to approximately HK$84.2 million during the Period from approximately HK$84.4 million for the corresponding period in 2023.

3. **Investment properties leasing** – Such revenue rose by 7.5% to approximately HK$47.2 million during the Period from approximately HK$43.9 million for the corresponding period in 2023, mainly due to higher average rental rates during the Period.

Cost of sales

During the Period, the cost of sales of the Group rose by 13.6% to approximately HK$273.8 million. Below table sets out the breakdown of the cost of sales by segment:—

	For the six months ended 30 June		Changes	
	2024	2023		
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**193,202**	169,366	23,836	14.1%
Hotel design and construction management services	**68,842**	55,629	13,213	23.8%
Investment properties leasing	**11,776**	16,109	(4,333)	–26.9%
Total	**273,820**	241,104	32,716	13.6%

The cost of hotel operation and management services rose by 14.1% to approximately HK$193.2 million for the Period, mainly due to an increase in headcount as a result of an increase in the number of hotels under the Group's management and more loyalty program points redeemed as revenue during the Period. The cost of hotel design and construction management services soared by 23.8% to approximately HK$68.8 million because the projects of renovation and refurbishment accounted for higher proportion during the Period and such projects incurred material purchase and hence lower profit margin. The cost of investment properties leasing dropped by 26.9% to approximately HK$11.8 million during the Period since the entrusted management services provided by Zhuhai Wanda Commercial Management Group Co., Ltd ("Zhuhai Wanda") to the Guilin Project expired in April 2024 and the management fee for the period from May 2024 to June 2024 has been waived and the Group is currently negotiating to renew the entrusted management service agreement with Zhuhai Wanda. For the details of such management fees, please refer to the Company's announcements dated 24 August 2021 and 30 June 2022.

Gross profit and gross profit margin

As a result of the above, both gross profit and gross profit margin of the Group decreased to approximately HK$219.1 million and 44.5% respectively during the Period (2023: HK$223 million and 48% respectively). Below table sets forth the gross profit and gross profit margin breakdown respectively in terms of the business segment:—

	Gross Profit			
	For six months ended 30 June			
	2024	2023	**Changes**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**168,335**	166,352	1,983	1.2%
Hotel design and construction management services	**15,358**	28,807	(13,449)	–46.7%
Investment properties leasing	**35,441**	27,826	7,615	27.4%
Total	**219,134**	222,985	(3,851)	–1.7%

	Gross Profit Margin		
	For six months ended 30 June		
	2024	2023	Changes
	%	*%*	*%*
Hotel operation and management services	**46.6%**	49.6%	–3.0%
Hotel design and construction management services	**18.2%**	34.1%	–15.9%
Investment properties leasing	**75.1%**	63.3%	11.8%
Overall	**44.5%**	48.0%	–3.5%

Net valuation loss on investment properties

The Group provided no valuation gain or loss on investment properties during the Period, as compared to approximately HK$1.1 million net valuation loss for the corresponding period in 2023.

Segment results

The segment results of the Group for the Period and the corresponding period in 2023 are set out as below: —

	For six months ended 30 June			
	2024	2023	**Changes**	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Hotel operation and management services	**116,514**	111,607	4,907	4.4%
Hotel design and construction management services	**2,012**	12,468	(10,456)	–83.9%
Investment properties leasing	**35,350**	26,517	8,833	33.3%
Total	**153,876**	150,592	3,284	2.2%

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

Hotel operation and management services – Such segment profit rose to approximately HK$116.5 million for the Period, mainly due to: - i) an increase in segment revenue primarily as a result of an increase in the number of hotels under management of the Group during the Period as above-mentioned; but offset by ii) an increase in the segment cost as a result of an increase in headcount during the Period for newly-opened hotels.

Hotel design and construction management services – Such segment profit plunged by 83.9% to approximately HK$2.0 million for the Period since renovation and refurbishment projects with low margin accounted for about 37% of the segment revenue, as compared to 8% for the corresponding period in 2023.

Investment properties leasing – Such segment profit increased by 33.3% to approximately HK$35.4 million for the Period, mainly due to the absence of any valuation loss on the investment properties and only four months' entrusted management service fees were incurred during the Period, given that the entrusted management services provided by Zhuhai Wanda expired on 30 April 2024.

Other (expenses)/income and gains, net

The Group reported other (expenses)/income and gains, net of approximately HK$30.4 million for the Period, as compared to net other gains of approximately HK$59.2 million for the corresponding period in 2023, mainly due to: —

i. The Group discontinued to accrue interest income from the long-term receivable in relation to the deferred amount ("Deferred Amount") from the Disposal of interest in Parcel C LLC of the Company (the "Chicago Project") for the Period, as compared to approximately HK$62.9 million interest income for the corresponding period in 2023 as a result of the Potential Bulk Sale (as defined below) which will be detrimental to the recoverability of the Deferred Amount;

ii. During the Period, the Group provided an impairment on the right-of-use assets and property, plant and equipment of approximately HK$10.5 million and HK$4.2 in relation to a leased-and-operated hotel, Wanda Moments Hotel Qingpu, Shanghai, since it incurred net loss before tax and the management assessed that its discounted cash flow was below the book value; and

iii. In the corresponding period of 2023, the Group recorded an one-off government grant of approximately HK$11.8 million and no such government grant was recorded during the Period.

Impairment/(reversal) of long-term receivable

As of 30 June 2024, the Group had long-term receivables arising from the Deferred Amount from the disposal of the Chicago Project, which was closed in November 2020. The Deferred Amount had two tranches as stipulated in the membership interest purchase agreement in relation to the disposal of Chicago Project. The first tranche of the Deferred Amount (the "First Tranche Deferred Amount") amounted to approximately USD103.5 million which had a maturity date of not later than 24 November 2023 (the "Initial Maturity Date") and could be extended for two successive one-year periods by the purchaser. The outstanding amount of the First Tranche Deferred Amount would earn interest on compound basis and be 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") amounted to USD100 million which had a maturity date of not later than the Initial Maturity Date and could also be extended for two successive one-year periods by the purchaser.

The outstanding amount of the Second Tranche Deferred Amount would earn interest on compound basis and be 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 37 condominium units of the Chicago Project. For further details of the Chicago Project disposal and the repayment terms of the Deferred Amount, please refer to the Company announcements dated 30 July 2020, 17 August 2020, 25 November 2020 and 12 August 2024 and the Company circular dated 29 September 2020.

In October 2023, the Company was notified by the purchaser that it would exercise the extension rights provided under the agreement in relation to the Chicago Project disposal to extend the Initial Maturity Date for the Deferred Amount. As such, as at 30 June 2024, the maturity date for the Deferred Amount has been extended to November 2024.

The Group has performed an expected credit loss ("ECL") analysis for its long-term receivables in relation to the Deferred Amount from the disposal of the Chicago Project as of 30 June 2024. Such ECL analysis was adopted with the same valuation methodology as of 31 December 2023 and performed by an independent qualified valuer, Cushman & Wakefield Limited. The ECL was estimated on the basis of the full lifetime of the long-term receivable with consideration of the future cash flow according to the financial reporting standards.

The ECL analysis has also taken into account a potential bulk sale of all unsold condominium units (the "Potential Bulk Sale"), except for the 37 units mortgaged to the Group as collateral for the Deferred Amount, which was under discussion with a potential buyer as far as the Group is aware as at the date of this announcement. The Company was given to understand that the proceeds from the Potential Bulk Sale will be used for repayment of other loan of the debtor (and not the Deferred Amount) and may not lead to any repayment of the Deferred Amount of the Group following the Potential Bulk Sale. Hence, the Group provided for an impairment loss of approximately HK$984.4 million (or equivalent to approximately USD126 million) on the basis of the value of the 37 condominium units mortgaged to the Group. The Company is closely monitoring the situation and seeking professional advice on the Group's possible action to reduce the financial impact of the Potential Bulk Sale on the Group.

As a result of the above, as of 30 June 2024, the Group had long-term receivable arising from the Deferred Amount from the disposal of the Chicago Project of approximately HK$868.1 million, as compared to approximately HK$1,853.7 million as of 31 December 2023.

Selling and administrative expenses

Selling and administrative expenses decreased by 7% to approximately HK$62.9 million during the Period as compared to HK$67.6 million for the corresponding period in 2023. The ratio of selling and administrative expenses over revenue also decreased to 12.8% for the Period from 14.6% for the corresponding period in 2023.

Finance costs

Finance costs decreased by 5.4% to approximately HK$10.5 million for the Period, as compared to approximately HK$11.1 million for the corresponding period in 2023, primarily due to partial repayment of a loan from an intermediate holding company during the Period.

Income tax expense

The Group reported income tax expense of approximately HK$26.3 million for the Period, as compared to approximately HK$40 million for the corresponding period in 2023, primarily as a result of the decrease in the Group's net profit during the Period.

(Loss)/profit for the period and (loss)/profit attributable to equity holders of the Company

As a result of the foregoing, the following illustrates the Group's (loss)/profit for the period and (loss)/profit attributable to equity holders of the Company during the Period and the six months ended 30 June 2023 respectively:—

	Unaudited Six months ended 30 June		
	2024	2023	Changes
	HK$'000	*HK$'000*	*HK$'000*
(Loss)/profit attributable to:–			
– Owners of the parent	**(514,941)**	140,047	(654,988)
– Non-controlling interests	**(380,650)**	25,086	(405,736)
(Loss)/Profit for the period	**(895,591)**	165,133	(1,060,724)

Net assets and equity attributable to equity holders of the parent

Below table sets forth the net assets and equity attributable to equity holders of the parent of the Group as at 30 June 2024 and 31 December 2023 respectively:—

	Unaudited	Audited
	30 June 2024	31 December 2023
	HK$'million	*HK$'million*
Total assets	**3,543.2**	4,552.6
Total liabilities	**1,207.6**	1,226.2
Net assets	**2,335.6**	3,286.4
Equity attributable to equity holders of the parent	**2,180.4**	2,708.0

Liquidity, borrowing and financial resources

As at 30 June 2024, the Group's cash (including restricted bank balance) amounted to approximately HK$368.1 million as compared with approximately HK$359.2 million as at 31 December 2023. The table below sets out the analysis of cash by currency type:—

	Unaudited 30 June 2024 *(% to total cash)*	Audited 31 December 2023 *(% to total cash)*
Renminbi ("RMB")	**90**	87
United States Dollar ("USD")	**5**	11
Hong Kong Dollar	**5**	2
	100	100

As at 30 June 2024, the current ratio of the Group, which is the quotient arrived at by dividing current assets by current liabilities, was 1.3 as compared with 1.2 as at 31 December 2023.

As at 30 June 2024, the Group's interest-bearing loan amounted to approximately HK$2.5 million (as at 31 December 2023: HK$4.3 million) and such loan was repayable on demand.

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

	Unaudited 30 June 2024 ***HK$'000***	Audited 31 December 2023 *HK$'000*
Total debts	**2,479**	4,342
Less: Total cash and bank balances*	**368,059**	359,169
Net cash	**365,580**	354,827
Total equity	**2,335,632**	3,286,433
Total assets	**3,543,209**	4,552,607
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 Period, the Group's business is principally conducted in RMB. The functional currency of the Group's subsidiaries in the PRC is RMB and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The Group's exposure to currency risk primarily through the long-term receivable and the amount payable to an intermediate holding company that are denominated in USD. The Group maintains a conservative approach to foreign exchange exposure management. During the Period, the Group did not use any financial instruments to hedge against foreign currency exposure and the Group did not have any hedging instruments outstanding as at 30 June 2024.

As at 30 June 2024, the interest-bearing loan of approximately HK$2.5 million of the Group was on a fixed rate basis. Accordingly, the Group's cost of borrowing was not subject to interest rate risks. This is the Group's policy to monitor the suitability and cost efficiency of hedging instruments in order to manage interest rate risks, if any. The Group will prudently consider entering into currency and interest rate hedging arrangements to minimise such exposures if and when appropriate.

PLEDGE OF ASSETS

As at 30 June 2024, the Group had no pledge of its assets (31 December 2023: Nil).

CHANGES IN SHARE CAPITAL

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

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 material acquisition or disposal of subsidiaries and associated companies during the Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No Director has the right to acquire shares or debentures of the Company or its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had around 756 full time employees, who are located in the PRC, Hong Kong and the USA.

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

INTERIM DIVIDEND

The Directors did not recommend the payment of an interim dividend for the Period (six months ended 30 June 2023: Nil).

OUTLOOK

With the recovery of the economy in the PRC, we expect that the domestic tourist market in the PRC will continue to grow in the coming years. The Group will closely monitor the performance of our business operations. Moreover, the Group will continue to expand its 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.

OTHER INFORMATION

SHARE SCHEMES

The Company did not have any effective share schemes as at 30 June 2024.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code of conduct regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

Except for deviation from the code provision C.2.1 of the Corporate Governance Code (the "CG Code") as stipulated in Appendix C1 of the Listing Rules as explained below, the Company has complied with the CG Code during the Period.

Mr. Ning Qifeng ("Mr. Ning") was appointed as an executive Director on 17 November 2017 and appointed as chairman of the Company (the "Chairman") on 22 April 2021. Prior to his appointment as the Chairman on 22 April 2021, although the Company has not appointed a chief executive officer, the duties of the chief executive officer have been performed by Mr. Ning. With Mr. Ning's appointment as the Chairman, such practice deviates from code provision C.2.1 of the CG Code. Considering that the Group's business has been in line with its clear strategic direction and the fact that Mr. Ning has demonstrated suitable management and leadership capabilities along with his thorough understanding of the Group's business and strategy since his appointment as an executive Director in 2017, the Board believes that vesting the role of the Chairman and the duties of a chief executive officer in Mr. Ning can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code will not be inappropriate in such circumstance. In addition, under the supervision of the Board, comprising one other executive Director, two non-executive Directors and three independent non-executive Directors, the Board believes that it is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the shareholders of the Company.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in accordance with the requirements of the CG 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. The Audit Committee comprises three independent non-executive Directors, namely Mr. He Zhiping, Dr. Teng Bing Sheng and Dr. Chen Yan.

The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The Audit Committee has reviewed the Group's financial statements for the Period and has discussed the financial related matters with the Company's management and external auditors.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Hong Kong, 28 August 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 Mr. He Zhiping, Dr. Teng Bing Sheng and Dr. Chen Yan are the independent non-executive Directors.