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*This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The Bonds (as defined below) and the guarantee of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.*

This announcement and the listing documents referred to herein have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing documents) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing documents referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

Notice to Hong Kong investors: The Issuer and the Guarantor (each as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

PUBLICATION OF OFFERING CIRCULAR

Wanda Properties Overseas Limited
萬達地產海外有限公司

(incorporated with limited liability in the British Virgin Islands and a wholly-owned subsidiary of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司))

(the "**Issuer**")

US$325,000,000 7.25 per cent. Guaranteed Bonds due 2022 (the "Bonds")
(Stock Code: 40665)

unconditionally and irrevocably guaranteed by, among others,

Wanda Commercial Properties (Hong Kong) Co. Limited
萬達商業地產(香港)有限公司

(incorporated with limited liability in Hong Kong and a wholly-owned subsidiary of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司))

(the "**Guarantor**")

and with the benefit of a keepwell deed and a deed of equity interest purchase undertaking by

Dalian Wanda Commercial Management Group Co., Ltd.
大連萬達商業管理集團股份有限公司

(Incorporated in the People's Republic of China with limited liability)

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Credit Suisse

Joint Bookrunners and Joint Lead Managers

BOCOM International **Orient Securities (Hong Kong)**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 22 April 2021 (the "**Offering Circular**") in relation to Bonds appended herein. As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong, 30 April 2021

As at the date of this announcement, the sole director of Wanda Properties Overseas Limited is Mr. Qi Jie.

As at the date of this announcement, the sole director of Wanda Commercial Properties (Hong Kong) Co. Limited is Mr. Qi Jie.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the company as a result of such access.

Confirmation of Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States. This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to Credit Suisse (Hong Kong) Limited, BOCOM International Securities Limited and Orient Securities (Hong Kong) Limited (together, the "**Joint Lead Managers**") that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Joint Lead Managers or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Joint Lead Managers.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions to persons outside the United States in compliance with Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**") solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

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YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Singapore Securities and Futures Act Product Classification – Solely for the purpose of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of any of the Issuer, the Subsidiary Guarantors, the Company, the Joint Lead Managers, the Trustee or the Agents (each as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer, the Subsidiary Guarantors and the Company in such jurisdiction.

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OFFERING CIRCULAR | **STRICTLY CONFIDENTIAL**

大连万达商业管理集团股份有限公司
Dalian Wanda Commercial Management Group Co., Ltd.

Wanda Properties Overseas Limited
萬達地產海外有限公司

(incorporated with limited liability in the British Virgin Islands)

US$325,000,000 7.25 per cent. Guaranteed Bonds due 2022

unconditionally and irrevocably guaranteed by

Wanda Commercial Properties (Hong Kong) Co. Limited
萬達商業地產(香港)有限公司

(incorporated with limited liability in Hong Kong)

Wanda Real Estate Investments Limited
萬達地產投資有限公司

(incorporated with limited liability in the British Virgin Islands)

Wanda Commercial Properties Overseas Limited
萬達商業地產海外有限公司

(incorporated with limited liability in the British Virgin Islands)

and with the benefit of a Keepwell Deed and a Deed of Equity Interest Purchase Undertaking by

Dalian Wanda Commercial Management Group Co., Ltd.
(大連萬達商業管理集團股份有限公司)

(incorporated with limited liability in the PRC)

Issue Price: 100.00 per cent.

The 7.25 per cent. Guaranteed Bonds due 2022 in the aggregate principal amount of US$325,000,000 (the "**Bonds**") will be issued by Wanda Properties Overseas Limited 萬達地產海外有限公司 (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by its parent company, Wanda Commercial Properties (Hong Kong) Co. Limited (萬達商業地產(香港)有限公司)("**Wanda HK**"), Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司 (collectively, the "**Subsidiary Guarantors**"). The Issuer and the Subsidiary Guarantors are direct or indirect wholly-owned subsidiaries of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬商業管理集團股份有限公司)(the "**Company**").

The Issuer, Wanda HK and the Company will enter into a keepwell deed on or about 29 April 2021 with The Bank of New York Mellon, London Branch (the "**Trustee**") as trustee of the Bonds (the "**Keepwell Deed**") as further described in "*Description of the Keepwell Deed*." The Company and the Trustee will enter into a deed of equity interest purchase undertaking on or about 29 April 2021 (the "**Deed of Equity Interest Purchase Undertaking**") as further described in "*Description of the Deed of Equity Interest Purchase Undertaking.*" Neither the Keepwell Deed nor the Deed of Equity Interest Purchase Undertaking constitutes a direct or indirect guarantee by the Company of the obligations of the Issuer under the Bonds or the Subsidiary Guarantors under the Guarantee and the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company. See "*Risk Factors – Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed – The Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are not guarantees of the payment obligations under the Bonds and the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company*" beginning on page 45 for further details.

Investors should be aware that the Bonds will be issued by the Issuer, guaranteed by Wanda HK and the other Subsidiary Guarantors, with the benefit of the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, that Wanda HK and the other Subsidiary Guarantors do not currently have significant operations and our consolidated revenue and income attributed to direct operation of Wanda HK and the other Subsidiary Guarantors are relatively insignificant, and that there are various other risks relating to the Bonds, the Issuer, Wanda HK, the other Subsidiary Guarantors, the Company and their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*", including "*Risk Factors – Risks relating to the Issuer, Wanda HK and the other Subsidiary Guarantors*" beginning on page 52, in this Offering Circular.

Interest on the Bonds is payable in arrear on 28 October 2021 and 28 April 2022. The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer, at all times ranking *pari passu* without any preference among themselves and the payment obligations of the Issuer under the Bonds at all times ranking at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands, Hong Kong or the PRC (as defined herein) or any subdivision or authority therein or thereof having power to tax, to the extent described in "*Terms and Conditions of the Bonds – Taxation*."

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 28 April 2022. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands, Hong Kong or the PRC. Furthermore, at any time following the occurrence of a Change of Control Event (as defined in the "**Terms and Conditions of the Bonds**"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest, if any, to (but excluding) the date for such redemption. See "*Terms and Conditions of the Bonds – Redemption and Purchase.*"

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act ("**Regulation S**"). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "***Subscription and Sale***."

The denomination of the Bonds shall be US$200,000 each and integral multiples of US$ 1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**" or the "**HKSE**") for listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer, Wanda HK and the other Subsidiary Guarantors and the Company confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on HKSE on that basis. Accordingly, the Issuer, Wanda HK, the other Subsidiary Guarantors and the Company confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this document, other than to ensure the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, Wanda HK, the other Subsidiary Guarantors or the Company or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, 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 document.

The Bonds are not rated. The Company has a long-term corporate credit rating of "BB+" by S&P, a corporate family rating of "Ba1" by Moody's and a long-term foreign currency issuer default rating and senior unsecured rating of "BB+" by Fitch, all with a stable outlook. Such ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by S&P, Moody's and Fitch.

Singapore Securities and Futures Act Product Classification – Solely for the purpose of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 21.

The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 29 April 2021 (the "**Issue Date**") with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

Credit Suisse

Joint Bookrunners and Joint Lead Managers

BOCOM International | **Orient Securities (Hong Kong)**

Offering Circular dated 22 April 2021

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NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE SUBSIDIARY GUARANTORS, THE COMPANY OR ANY OF THEIR RESPECTIVE SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

You should rely only on the information contained in this Offering Circular. None of the Company, the Subsidiary Guarantors, the Issuer, Credit Suisse (Hong Kong) Limited, BOCOM International Securities Limited or Orient Securities (Hong Kong) Limited (the "**Joint Lead Managers**") has authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Circular is accurate only as at the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since that date.

We, having made all reasonable inquiries, confirm that (i) this Offering Circular contains all information with respect to us and our subsidiaries, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed that is material in the context of the issue and offering of the Bonds, (ii) that the information and statements contained herein are true and accurate and not misleading in all material respects, (iii) that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) that we are not aware of any other facts the omission of which would make any statement in this Offering Circular misleading in any material respect, (v) that reasonable inquiries have been made by us to verify the accuracy of all such information and statements, and (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading; provided that this Offering Circular contains summaries which we believe to be accurate with respect to certain terms of some documents; and provided further that economic and other data included in this Offering Circular on the property and related industries in the PRC, including information in relation to our and our competitors' relative positions in these industries, are based on various government and private industry publications or the good faith belief of our management.

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. By purchasing the Bonds, you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading "*Subscription and Sale*" in this Offering Circular.

This Offering Circular contains information provided by other sources that we believe are reliable. We cannot assure you that this information is accurate or complete. This Offering Circular summarises certain documents and other information and we refer you to them for a more complete understanding of the matters we discuss in this Offering Circular. In making an investment decision, you must rely on your own examination of us and our subsidiaries and the terms of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

This Offering Circular is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the Bonds described herein. We have not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part, and it may be distributed and its contents disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by us, the Joint Lead Managers, the Trustee and the Agents (as defined in "*Terms and Conditions of the Bonds*") to inform themselves about and observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC, Japan, Taiwan and the British Virgin Islands and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds, and the distribution of this Offering Circular, see "*Subscription and Sale*." By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or an invitation to purchase, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purposes of giving information with regard to the Issuer, Wanda HK the other Subsidiary Guarantors, the Company and their respective subsidiaries. Each of the Issuer, the Subsidiary Guarantors and the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, the Subsidiary Guarantors or the Company or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this Offering Circular, 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 Offering Circular.

Prospective investors in the Bonds should rely only on the information contained in this Offering Circular. No person has been or is authorised in connection with the issue, offer, sale, marketing or distribution of the Bonds to make any representation concerning the Issuer, the Subsidiary Guarantors, the Company, the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking or the Keepwell Deed other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by us, the Joint Lead Managers, the Trustee or the Agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of us since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of us, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents or advisers to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Although we believe that such industry sources are reliable, they have not been independently verified by the Issuer, the Subsidiary Guarantors, the Company, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, employees, agents or advisers and may not be consistent with other information compiled within or outside the PRC. We take responsibility for only the accurate reproduction and extraction of such summaries and data, but accept no other responsibility for such industry information. None of the Issuer, the Subsidiary Guarantors, the Company, the Joint Lead Managers, the Trustee, the Agents nor their respective affiliates, directors, employees, agents or advisers makes any representation as to the accuracy and completeness of such industry information or statistics. Investors are advised to read and understand the contents of this Offering Circular before investing. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, employees, agents or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, employees, agents or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents or advisers have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by either us, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, employees, agents or advisers that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisers do not accept any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf in connection with the Issuer, the Subsidiary Guarantors, the Company or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, employees, agents or advisers undertakes to review the results of operation, financial condition or affairs of the Company or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee, any Agent or their respective affiliates, directors, employees, agents or advisers.

The Joint Lead Managers and their respective affiliates may purchase the Bonds for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Subsidiary Guarantors, the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Group.

In making an investment decision, investors must rely on their own examination of the Issuer, the Subsidiary Guarantors, the Company and the Group and the terms of the Offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers or on the Trustee or the Agents in connection with his investigation of the accuracy of such information or his investment decision.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

Singapore Securities and Futures Act Product Classification – Solely for the purpose of its obligations pursuant to Section 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Bonds are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore).

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

PRESENTATION OF FINANCIAL AND OTHER DATA

The Company's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young ("**E&Y**"), the Company's independent auditor. Such financial statements of the Company were prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board.

The Company publishes its interim financial information from time to time. Such financial information published by the Company in the PRC is normally derived from its management accounts and is not audited or reviewed by independent auditors, nor is it prepared or presented in accordance with IFRS, and therefore is not comparable with the Company's audited or reviewed consolidated financial statements. As such, financial information published in the PRC by the Company should not be relied upon by potential purchasers to provide the same quality of information associated with any audited or reviewed information or relied upon as being comparable to the information presented in this Offering Circular. Such financial information is not included in this Offering Circular and should not be relied upon by any investors in making their investment decisions in the Bonds.

Wanda HK's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by E&Y. Such financial statements of Wanda HK were prepared and presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants.

EBITDA is not a standard measure under IFRS, but is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA refers to our gross profit less selling and distribution expenses and administrative expenses, plus depreciation, depreciation of right-of-use assets, amortisation of prepaid land lease payments and amortisation of other intangible assets, and is presented for continuing operations. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP financial measures*" for a calculation of the Company's EBITDA.

The GFA information in respect of our projects contained in this Offering Circular is derived on the following basis:

- When the construction of the projects or project phases is complete and the relevant completion and inspection certificates have been received, the GFA information in respect of these projects or project phases refers to the GFA in such completion and inspection certificates;

- If the relevant completion and inspection certificates have not been obtained, but the detailed construction drawings for the projects or project phases have been obtained, the GFA information in respect of these projects or project phases refers to the GFA in such detailed construction drawings;

- If the relevant detailed construction drawings have not been obtained, but the construction planning permits for the projects or project phases have been obtained, the GFA information in respect of these projects or project phases refers to the GFA in such construction planning permits;

- If any of the above documents for these projects or project phases have not been obtained, the GFA information in respect of these projects or project phases refers to the GFA estimated based on the current development plans for theses projects or project phases; and

- The GFA stated in completion and inspection certificates, detailed construction drawings and construction planning permits includes underground saleable GFA but excludes other underground spaces generally used for ancillary facilities. The GFA information in this Offering Circular includes saleable and non-saleable GFA.

Certain conventions and currency presentation

We have prepared this Offering Circular using a number of conventions, which investors should consider when reading the information contained herein. In this Offering Circular, references to the "**Issuer**" are to Wanda Properties Overseas Limited 萬達地產海外有限公司; references to "**Wanda HK**" are to Wanda Commercial Properties (Hong Kong) Co. Limited (萬達商業地產(香港)有限公司); references to the "**Subsidiary Guarantors**" are to Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司; references to the "**Hong Kong Listco**" are to Wanda Hotel Development Company Limited (萬達酒店發展有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Hong Kong Stock Exchange (HKSE Stock Code 169); the terms "**we**," "**us**," the "**Company**", the "**Group**" and words of similar import refer to Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) itself and its subsidiaries, including the Issuer and the Subsidiary Guarantors, individually or collectively, as the context requires. References to "**you**" are to the prospective investors in the Bonds.

References to "**commercial management**" or "**commercial management business**" are to the Group's business of leasing and management of investment properties held by the Group for long-term investment or commercial properties owned by third parties when such terms are used to describe or refer to our business or operations in this Offering Circular.

The English names of the PRC entities or organisations or individuals mentioned in this Offering Circular marked "*" are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.

References to the "**United States**" and "**US**" are to the United States of America, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, and references to the "**PRC**" and "**China**" are to the People's Republic of China and, for purposes of this Offering Circular, do not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China or Taiwan. "**PRC Government**" or "**State**" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

The Company's consolidated financial statements are presented in Renminbi and Wanda HK's consolidated financial statements are presented in Renminbi. For convenience only and unless otherwise noted, all translations from Renminbi into US dollars in this Offering Circular were made at the rate of CNY6.5250 to US$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 31 December 2020. No representation is made that the US dollar or Renminbi amounts referred to in this Offering Circular could have been or could be converted into Renminbi or US dollars, as the case may be, at any particular rate or at all. For further information relating to exchange rates, see "*Exchange Rate Information*."

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "aim," "intend," "will," "may," "anticipate," "seek," "should," "estimate" or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- various business opportunities that we may pursue;
- our ability to enter into new markets and manage the growth of our operations;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- our liquidity position and our ability to service and repay our indebtedness;
- the general economic and industry outlook of the PRC, including but not limited to the commercial property market, in particular, the commercial property management sector, and related sectors, including the retail and hotel sectors;
- changes in political, economic, legal and social conditions in the PRC, including the PRC Government's specific policies with respect to economic growth, inflation, foreign exchange, institutional lending policies and the availability of credit;
- future developments in the industries and markets in which we operate;
- the performance of the industry and markets in which we operate;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in currency exchange rates; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*", "*Description of Wanda HK*" and "*Description of the Company*" and elsewhere in this Offering Circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management's view only as at the date of this Offering Circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

GLOSSARY

In this Offering Circular, unless otherwise defined or as the context otherwise requires, the following expressions have the following meanings:

"2014 Guaranteed Bonds"	US$600,000,000 in aggregate principal amount of 7.25% guaranteed bonds due 29 January 2024, issued by the 2014 Issuer and guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司
"2014 Issuer"	Wanda Properties International Co. Limited
"2019 (December) Guaranteed Bonds"	US$400,000,000 in aggregate principal amount of 6.95% guaranteed bonds due 5 December 2022, issued by the 2019 (December) Issuer and guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司
"2019 (December) Issuer"	Wanda Properties Overseas Limited
"2020 (January) Guaranteed Bonds"	US$400,000,000 in aggregate principal amount of 6.875% guaranteed bonds due 23 July 2023, issued by the 2020 (January) Issuer and guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司
"2020 (January) Issuer"	Wanda Properties Overseas Limited
"anchor tenant"	a tenant who leases, or a store which occupies, over 1,000 sq.m. of GFA in our investment properties
"BIM technology"	Building Information Modeling is a unique proprietary technology in the manufacturing field
"Board"	the board of directors of the Company
"BVI"	British Virgin Islands
"CIT"	the Corporate Income Tax, as defined in the CIT Law
"CIT Law"	the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which came into effect on 1 January 2008 and was amended on 29 December 2018
"Clearstream"	Clearstream Banking, S.A.
"CNY" and "RMB"	Renminbi, the lawful currency of the PRC
"Company"	Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司), formerly known as Dalian Wanda Commercial Properties Co., Ltd. (大連萬達商業地產股份有限公司), a company incorporated with limited liability under the laws of the PRC

"commercial management" or "commercial management business"	the Group's business of leasing and management of investment properties held by the Group for long-term investment or commercial properties owned by third parties, including primarily investment property leasing and investment property management when such terms are used to describe or refer to our business or operations in this Offering Circular
"Director(s)"	the director(s) of the Company
"EBITDA"	gross profit less selling and distribution expenses and administrative expenses, plus depreciation, depreciation of right-of-use assets, amortisation of prepaid land lease payments and amortisation of other intangible assets, presented for continuing operations
"Euroclear"	Euroclear Bank SA/NV
"GFA"	gross floor area
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Listco"	Wanda Hotel Development Company Limited (萬達酒店發展有限公司), formerly known as Wanda Commercial Properties (Group) Co., Limited and Hengli Commercial Properties (Group) Limited, a company incorporated in Bermuda with limited liability with its shares listed on the Hong Kong Stock Exchange (HKSE Stock Code: 169)
"Hong Kong Stock Exchange" or "HKSE"	The Stock Exchange of Hong Kong Limited
"IFRS"	the International Financial Reporting Standards
"Issue Date"	29 April 2021
"Joint Lead Managers"	Credit Suisse (Hong Kong) Limited, BOCOM International Securities Limited and Orient Securities (Hong Kong) Limited
"KTV"	karaoke television, a form of interactive musical entertainment
"LAT"	land appreciation tax, as defined in the Provisional Regulations of the PRC on Land Appreciation Tax and the Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MICE"	meeting, incentive travel, convention/conference and event/exhibition
"Mr. WANG Jianlin"	Mr. WANG Jianlin, the ultimate substantial shareholder of the Company
"MOFCOM"	the Ministry of Commerce of the PRC

"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC
"NDRC"	the National Development and Reform Commission of the PRC or its local counterparts
"Offering"	issue by the Issuer of the Bonds, as described in this Offering Circular
"O2O"	online-to-offline or offline-to-online business strategy that draws potential customers from online channels to physical stores
"PBOC"	People's Bank of China
"PRC"	the People's Republic of China, excluding, for purposes of this Offering Circular only, Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them
"R&F"	Guangzhou R&F Properties Co., Ltd., a joint stock limited company established in the PRC with limited liability, the H-shares of which are listed on the main board of the Stock Exchange (stock code: 2777)
"SAFE"	PRC State Administration of Foreign Exchange
"Securities Act"	the United States Securities Act of 1933, as amended
"SOHO"	a type of small home office
"sq.m."	square metres
"State Council"	the PRC State Council
"Subsidiary Guarantors"	Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司
"Sunac"	Sunac China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange (stock code: 1918), together with its wholly-owned subsidiary, Sunac Real Estate Group Co., Ltd. (融創房地產集團有限公司), a company established in the PRC with limited liability
"US", "U.S." or "United States"	United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$"	US dollar(s), the lawful currency of the United States of America
"VAT"	value-added tax
"Wanda City"	Wanda City is a large-scale development project integrating culture and tourism facilities, residence, office, shopping centre and hotels

"Wanda Commercial Management"	Wanda Commercial Management Group Co., Ltd.* (萬達商業管理集團有限公司), formerly known as Wanda Commercial Management Co., Ltd.* (萬達商業管理有限公司), a company established in the PRC with limited liability on 8 February 2007 and a wholly-owned subsidiary of the Company
"Wanda E-commerce"	Wanda E-commerce Company* (萬達電子商務公司)
"Wanda Group"	Dalian Wanda Group Co., Ltd.
"Wanda HK"	Wanda Commercial Properties (Hong Kong) Co. Limited (萬達商業地產(香港)有限公司)
"Wanda Institute"	a well-established system of the Company to gather, record and share the Company's management and operational know-how and expertise
"Wanda Mao"	a large-scale and indoor project integrating culture, tourism and business facilities
"Wanda Plaza"	a large-scale, mixed-use project integrating enterprise with the city, the retailers and consumers, and the Company's core product line
"Wanda Properties"	Wanda Properties Group Co., Ltd.* (萬達地產集團有限公司)

SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a market leader in commercial property management and hotel operation with a strong market recognition of our brand name "Wanda" ("萬達"). Over the years, we have accumulated a wealth of project execution experience and strong management capabilities, which have led to the steady expansion of our commercial management business. We are

- the world's largest owner of commercial properties in terms of the total leasable floor area owned and managed by us, with 368 Wanda Plazas in operation and an aggregate GFA of approximately 52.8 million sq.m., including 36.1 million sq.m. of leasable floor area of shopping centres under our management as at 31 December 2020; and

- one of China's leading operators of luxury hotels in terms of the number of hotels operated in the PRC, operating 96 self-owned or third-party owned hotels as at 31 December 2020.

Our Wanda Plazas received approximately 3.8 billion, 4.3 billion and 3.6 billion guest visits for 2018, 2019 and 2020, which highlighted Wanda Plaza as a well-known brand with strong consumer recognition in China. Our rental collection rate has maintained at above 99.0% for 15 consecutive years from 2006 to 2020. We anticipate increasing rental income and management fees from management and operation of commercial properties.

As at the date of this Offering Circular, we conduct primarily the following businesses, namely:

(i) leasing and management of investment properties held by the Group for long-term investment or commercial properties owned by third parties;

(ii) operation of third-party owned and self-owned hotels; and

(iii) other business, primarily sale of yachts, management of properties sold, operation of the Group's research and design centres and institutes and other services.

During 2018 and 2019, we were also engaged in development and sale of properties, including commercial and residential properties. To implement our asset-light strategy, we decided to phase out our property development and sale business by transferring it outside of our Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had substantially completed the divestment of the entire business by the end of 2019. As a result, it was classified as discontinued operation in our consolidated financial statements for the relevant periods. We did not undertake any new asset-heavy property development project or conduct any sale of properties in 2020.

Our success is, to a large extent, attributable to our ability in business innovation which allows us to be proactive in responding to trends in the commercial property management, hotel operation and real estate markets. In light of the changing market conditions, we adopted an asset-light development strategy and have transformed ourselves from a property developer into an operator focusing on project execution and commercial management. Under this asset-light model, we introduce co-investors to collaborate on the development of Wanda Plazas. Depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land or, in certain cases, provide land, whereas we will be responsible for design, construction, leasing and operation of the relevant properties, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio.

As at 31 December 2020, we operated 98 Wanda Plazas developed under this asset-light model, including 19 Wanda Plazas developed as asset-light projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m., out of a total of 368 Wanda Plazas with an aggregate GFA of approximately 52.8 million sq.m. being operated by us.

In line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties. Through these strategic disposals, we expect to substantially reduce our leverage ratio and focus on, and generate stable and recurring income from, our commercial management and hotel operation business.

The table below sets forth a breakdown of our revenue from continuing operations by business segment for the periods indicated:

	For the year ended 31 December					
	2018		2019		2020	
	(CNY million)	(%)	(CNY million)	(%)	(CNY million)	(%)
Revenue						
Investment property leasing and management	30,007	87.1	34,929	87.8	35,764	92.3
Hotel operation	1,466	4.3	1,475	3.7	1,082	2.8
Others	2,974	8.6	3,365	8.5	1,893	4.9
Total	34,447	100.0	39,769	100.0	38,739	100.0

Competitive Strengths

We believe that the following competitive strengths have contributed to our success in the PRC commercial property management and hotel operation markets and will continue to secure our leading market position in these markets and lay a solid foundation for our commercial management and hotel operation business:

- We have a leading position in the PRC commercial property management sector and enjoy substantial scale benefits and strong brand name recognition.
- Our investment properties generate a significant amount of rental income which serves as a stable source of our revenue and cash flows.
- We possess strong and effective commercial management capabilities.
- We have outstanding execution capabilities in terms of commercial property development and management, which facilitates our successful transformation to an asset-light commercial management company.
- We have developed a synergistic relationship with, and benefit from support from, our parent company.

- We have a strong cash position and diversified financing channels.

- Prominent ultimate substantial shareholder and excellent management team – Mr. WANG Jianlin, our ultimate substantial shareholder, is an influential industry leader, and we have an experienced and visionary management team.

- We have adopted multiple information technology systems to effectively manage our large-scale business operations and improve our operational efficiency.

Business Strategies

We will continue our effort to be or remain the largest operator of commercial properties in terms of the aggregate GFA managed and operated by us, and we will also continue to implement our asset-light strategy. We intend to utilise the following key strategies to grow our business and expand our operations:

- We intend to expand our commercial property portfolio and aim to build China's largest network of urban consumption facilities and urban commercial platforms.

- We intend to further explore and enhance our asset-light development strategy to strengthen our competitive advantage and market position in commercial property management.

- We intend to continue to proactively enhance our commercial management capabilities.

- We intend to continue to attract, motivate and cultivate management talent and personnel to support our operations.

- We intend to utilise advanced network technologies to develop O2O business.

- We intend to reduce the environmental impact of our operations and increase our energy conservation and other environmental protection efforts.

Recent Developments

In connection with our restructuring, in March 2021, we established the subsidiary Zhuhai Wanda Commercial Management Co., Ltd.* ("**Zhuhai Wanda**")(珠海萬達商業管理股份有限公司) in Zhuhai, Guangdong province. As at the date of this Offering Circular, the Company has a shareholding of 99.0% in Zhuhai Wanda. Following the establishment of Zhuhai Wanda, the direct shareholder of Wanda Commercial Management changed from the Company to Zhuhai Wanda. Furthermore, in March 2021, Zhuhai State-owned Asset Supervision and Administration Commission ("**Zhuhai SASAC**") signed a cooperation agreement with the Company setting out its intention to make a strategic equity investment of CNY3 billion into Zhuhai Wanda.

As part of the restructuring of our Group, we have allocated our commercial management business to Zhuhai Wanda, which takes responsibility for the operation and management of all of our Wanda Plazas, including 368 in operation and 155 under construction as at 31 March 2021, as well as all the plazas under planning. Zhuhai Wanda aims to provide data support to the financial companies serving medium-, small- and micro-sized businesses at Wanda Plazas, big data services for Wanda Plazas, hotels, cinemas and cultural and tourism projects, and new energy, advertisement and other services to our customers. In collaboration with Zhuhai SASAC, we seek to further develop both our heavy- and light-asset platforms and take advantage of Zhuhai's business environment and development momentum. Zhuhai Wanda expects to leverage our resources and advantage in various industry chains and technological applications, make strategic investments and acquisitions, and incubate and attract technology companies and service providers with Zhuhai serving as the domicile for the new businesses.

The Company also plans to establish an investment platform under the Company jointly with Zhuhai SASAC to facilitate our investment in commercial properties and financial products such as REITs, and help Zhuhai SASAC improve efficiency in using, and preserve the value of, its assets.

OFFER STRUCTURE

The following is a description of the structure of the offering, which should be read in conjunction with the sections entitled "Risk Factors," "Terms and Conditions of the Bonds," "Description of the Keepwell Deed" and "Description of the Deed of Equity Interest Purchase Undertaking." Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Terms and Conditions of the Bonds, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, as the context may require.

The Bonds and the Guarantee

The Bonds will be issued by the Issuer. The Bonds will constitute direct, unsubordinated, unconditional and (subject to the Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds will, save for such exceptions as may be provided by applicable legislation and subject to the Conditions, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

On the Issue Date, the Bonds will have the benefit of the Guarantee by the Subsidiary Guarantors. Pursuant to the Guarantee, the Subsidiary Guarantors will unconditionally and irrevocably guarantee, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all their other respective present and future unsecured and unsubordinated obligations.

The Issuer is incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Wanda HK. Wanda HK is incorporated in Hong Kong and is a direct wholly-owned subsidiary of the Company. The Company is the direct or indirect holding company of various subsidiaries, associate companies and jointly-controlled entities which carry on certain property development business in the PRC.

The Keepwell Deed

The Issuer, Wanda HK and the Company will execute the Keepwell Deed (as further described in "*Description of the Keepwell Deed*") in favour of the Trustee on the Issue Date. Defined terms used in this section have the meanings given to them in the Keepwell Deed.

Ownership of the Issuer, Wanda HK and HK Listco

Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall, directly or indirectly, own and hold all the outstanding shares of each of the Issuer and Wanda HK and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to encumber or dispose of any or all such shares by applicable law or regulation or pursuant to a court decree or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged.

Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall maintain Wanda HK as the flagship overseas investment holding Subsidiary of the Company for its real estate business.

Maintenance of Consolidated Net Worth; Liquidity

In addition, pursuant to the Keepwell Deed, the Company will undertake that it shall cause:

(a) each of the Issuer and Wanda HK to have a Consolidated Net Worth of at least US$1.00 (or its equivalent in any other currency) at all times;

(b) each of the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment by each of the Issuer and Wanda HK of any amounts payable under or in respect of the Bonds and the Guarantee, as the case may be, in accordance with the terms and conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement;

(c) Wanda HK to have an aggregate Total Equity of at least HK$800,000,000 at all times; and

(d) each of the Issuer and Wanda HK to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.

If the Issuer or Wanda HK at any time determines that it will have insufficient liquidity to meet its payment obligations under the Bonds or the Guarantee, as the case may be, and otherwise under the Trust Deed or the Agency Agreement as they fall due, pursuant to the Keepwell Deed, the Issuer and/or Wanda HK will undertake to promptly notify the Company of the shortfall and the Company will make available to the Issuer or Wanda HK, before the due date of the relevant payment obligations, funds sufficient by means permitted by applicable laws and regulations to enable the Issuer or Wanda HK, as the case may be, to pay such payment obligations in full as they fall due. The Issuer or Wanda HK shall use any funds made available to it by the Company in accordance with the Keepwell Deed solely for the payment when due of such payment obligations under the Bonds, the Guarantee or the Trust Deed, as the case may be.

For the purposes of the Keepwell Deed:

"**Consolidated Net Worth**" means, in respect of the Issuer or Wanda HK, the excess of total assets of the Issuer or Wanda HK and its consolidated Subsidiaries over total liabilities of the Issuer or Wanda HK and its consolidated Subsidiaries, total assets and total liabilities each to be determined in accordance with the Hong Kong Financial Reporting Standards consistently applied; and

"**Total Equity**" means the line item with the corresponding caption in the consolidated statement of financial position of Wanda HK in its financial reports, comprising the aggregate of:

(a) the amount paid up or credited as paid up on the issued ordinary share capital of Wanda HK;

(b) the amount standing to the credit of the consolidated reserve of Wanda HK and its Subsidiaries; and

(c) the amount attributable to non-controlling interests.

Irrevocable Cross-Border Standby Facility

Pursuant to the Keepwell Deed, no later than 30 Facility Business Days before each Interest Payment Date (the "**Liquidity Notice Date**"), the Issuer shall send to each of the Company and the Trustee a notice in writing (the "**Liquidity Notice**") certifying, as at the date of the Liquidity Notice, that it has sufficient liquidity (including external resources available to it outside of the PRC) to meet its payment obligations under the Bonds and the Trust Deed as they may fall due (together with evidence of available funding outside the PRC) on or prior to the immediately following Interest Payment Date and that no Event of Default or Potential Event of Default has occurred.

In the event that (i) the Issuer does not provide a Liquidity Notice in accordance with and by the time specified above or (ii) an Event of Default has occurred, the Company shall:

(a) as soon as practicable grant to the Issuer a standby facility (the "**Standby Facility**") pursuant to which the Company will remit an amount which (upon conversion, if applicable) will be sufficient to satisfy the payment obligations set out below (the "**Remittance Amount**");

(b) as soon as practicable open with a PRC commercial bank (the "**Settlement Bank**") a special account for the transfer and remittance of the Remittance Amount to the Issuer according to the relevant PRC laws;

(c) remit the Remittance Amount to a specified account of the Issuer in Hong Kong through the special account (x) in the case of a failure to provide a Liquidity Notice in (i) above at least two Facility Business Days prior to the next Interest Payment Date or (y) in the case of an occurrence of an Event of Default in (ii) above as soon as practicable; and

(d) cause the Issuer to use the Remittance Amount to discharge its obligations under the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed on the due date therefor,

provided that the Company's obligations to do so shall be subject to prevailing laws, regulations and government policies at such time and if required, regulatory approvals.

The Remittance Amount to be remitted must (after taking into account exchange rate movements) be sufficient to enable the Issuer to purchase US dollars in an amount sufficient to discharge in full:

- in the case of a failure to provide a Liquidity Notice in (i) above, the Issuer's obligations under the Bonds and the Trust Deed which will become due on the immediate next Interest Payment Date; or

- in the case of an occurrence of an Event of Default in (ii) above, the Issuer's obligations under or in respect of the Bonds and the Guarantee in accordance with the terms and conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement (including, without limitation, the principal amount of the Bonds then outstanding and any interest due and unpaid and/or accrued but unpaid),

plus all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking and/or the Keepwell Deed as at the date of the Liquidity Notice Date (including without limitation all foreign exchange conversion expenses) plus provisions for costs, fees and expenses and other amounts which may be incurred after the Liquidity Notice Date as notified by the Trustee.

Pursuant to the Keepwell Deed, each of the Company and the Issuer agrees and acknowledges that the terms of the Standby Facility shall be at arm's length (or more favourable to the Issuer) and shall not require any security from the Issuer. The Standby Facility is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or Wanda HK under the laws of any jurisdiction, including the PRC.

Other Covenants

The Company will further undertake pursuant to the Keepwell Deed:

- to procure that the articles of association of each of the Issuer and Wanda HK shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;

- to cause each of the Issuer and Wanda HK to remain in full compliance with the Terms and Conditions of the Bonds, the Guarantee, the Trust Deed and all applicable rules and regulations in Hong Kong and the British Virgin Islands;

- to promptly take any and all action necessary to comply with its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking;

- to cause each of the Issuer and Wanda HK to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed, the Bonds, the Guarantee and the Trust Deed; and

- to procure that the Issuer will not carry on any business activity whatsoever other than in connection with (i) the Bonds and (ii) the issuance of other Relevant Indebtedness (together with the Bonds) up to an aggregate principal amount not exceeding US$2,000,000,000. Such activities in connection with the Bonds or the issuance of other Relevant Indebtedness shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or such other Relevant Indebtedness to any of the Subsidiary Guarantors or the Company or as any of them may direct. In this provision, "**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans).

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or Wanda HK under the laws of any jurisdiction, including the PRC. The performance by the Company of its obligations under the Keepwell Deed may be subject to all necessary approvals, consents, licences, orders, permits, registrations, filings, clearances and any other authorisations from the relevant Approval Authorities (as defined in the Keepwell Deed) ("**Regulatory Approvals**") and the Company will undertake, pursuant to the Keepwell Deed, to use its best endeavours to obtain such Regulatory Approvals. In addition, the obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company. Accordingly, the holders of the Bonds may have limited or no remedies against the Company, in connection with such insolvency proceedings. See "*Risk Factors – Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed – The Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are not guarantees of the payment obligations under the Bonds and the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company*."

Accordingly, pursuant to the terms of the Keepwell Deed, the Company will only be obliged to make sufficient funds available to the Issuer and Wanda HK, rather than assume the payment obligation as in the case of a guarantee.

The Deed of Equity Interest Purchase Undertaking

The Company will execute the Deed of Equity Interest Purchase Undertaking (as further described in "Description of the Deed of Equity Interest Purchase Undertaking") in favour of the Trustee on the Issue Date. While the Keepwell Deed contains a general obligation requiring the Company to ensure that the Issuer and Wanda HK have sufficient liquidity to meet any payment obligations under the Bonds, the Deed of Equity Interest Purchase Undertaking provides specified means by which the Company could assist the Issuer and the Subsidiary Guarantors to meet their respective obligations under the Bonds, the Guarantee and the Trust Deed upon the occurrence of an Event of Default.

Pursuant to the terms of the Deed of Equity Interest Purchase Undertaking entered into between the Trustee and the Company, the Company agrees to purchase, either by itself or through a PRC incorporated subsidiary of the Company (the "**Designated Purchaser**"), all or any equity interests upon receiving a written purchase notice (the "**Purchase Notice**") from the Trustee. The equity interests comprise the interests held by the Relevant Transferor(s) (the "**Equity Interest**") of a subsidiary of the Company that is held by such Relevant Transferor incorporated outside the PRC.

Obligation to Acquire Equity Interest

Under the Deed of Equity Interest Purchase Undertaking, the Company will undertake to the Trustee that upon receipt of a written Purchase Notice from the Trustee following the Trustee being notified of the occurrence of an Event of Default under the Bonds, the Company will, subject to obtaining all Regulatory Approvals, purchase (either by itself or through a Designated Purchaser) (the "**Purchase**"):

(a) the Equity Interest held by any Subsidiary Guarantor and/or any other Subsidiaries of the Company incorporated outside the PRC, as designated by the Company and notified in writing to the Trustee within five Business Days after the date of the Purchase Notice; or

(b) in the absence of a designation and notification within five Business Days after the date of the Purchase Notice as provided in (a) above, the Equity Interest held by all the Subsidiaries of the Company incorporated outside the PRC,

(each such designated entity or Subsidiary, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant Purchase Closing Date on the terms set out in the Deed of Equity Interest Purchase Undertaking and the Equity Interest Transfer Agreement.

Determination of Purchase Price

Within 10 Business Days after the date of the Purchase Notice, the Company shall determine (i) the purchase price of the Equity Interest(s) subject to the Purchase (the "**Purchase Price**") in accordance with any applicable PRC laws and regulations effective at the time of determination; and (ii) the other applicable terms relating to the Purchase, provided that the Purchase Price shall be no less than the aggregate of the following amounts:

(a) the amount in US dollars sufficient to enable the Issuer and the Subsidiary Guarantors to discharge in full their respective obligations under the Bonds, the Guarantee and the Trust Deed (including without limitation the principal amount of the Bonds then outstanding as at the date of such Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Purchase Notice), plus

(b) an amount equal to US$11,781,250 equivalent to the interest amount in respect of one interest period on the Bonds, plus

(c) all costs, fees and expenses and other amounts payable in US dollars to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Purchase Notice plus provisions for fees and expenses which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice.

The Company shall, and shall procure each Relevant Transferor to, use their respective best efforts to do all such things and take all such actions as may be necessary or desirable to (i) procure the completion of the Purchase on the relevant Purchase Closing Date within three months from the date of the Purchase Notice; and (ii) procure the remittance of the sum of the Purchase Price to or to the order of the Relevant Transferor(s)in accordance with the Deed of Equity Interest Purchase Undertaking.

The Purchase obligation under the Deed of Equity Interest Purchase Undertaking shall be suspended if, prior to the relevant Purchase Closing Date, each of the Company and the Issuer receives a notice in writing from the Trustee stating that all of the respective payment obligations of the Issuer and the Subsidiary Guarantors under the Bonds, the Guarantee and the Trust Deed have been satisfied as at the date of that notice, or that the Event of Default leading to the service of the Purchase Notice has been waived in accordance with the terms of the Trust Deed.

The Deed of Equity Interest Purchase Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company (whether by itself or through the Designated Purchaser) shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Subsidiary Guarantors under the laws of any jurisdiction, including the PRC.

Please see "*Risk Factors – Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed – Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and there may be uncertainties with respect to the implementation of the NDRC Circular*."

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this Offering and is qualified in its entirety by the remainder of this Offering Circular. For a detailed description of the Bonds, see "Terms and Conditions of the Bonds." The terms and conditions of the Bonds prevail to the extent of any inconsistency set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds." References in this summary to "Bonds" refer to the US$325,000,000 aggregate principal amount of 7.25 per cent. Guaranteed Bonds due 2022.

Issuer	Wanda Properties Overseas Limited 萬達地產海外有限公司.
Guarantee	Wanda Commercial Properties (Hong Kong) Co. Limited (萬達商業地產(香港)有限公司) ("**Wanda HK**"), Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司 (the "**Subsidiary Guarantors**" and each a "**Subsidiary Guarantor**") have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed, as further described in Condition 3(b) of the Terms and Conditions of the Bonds. The Subsidiary Guarantors' obligations in respect of the Bonds and the Trust Deed are contained in the Trust Deed.
Issue	US$325,000,000 aggregate principal amount of 7.25 per cent. Guaranteed Bonds due 2022.
Issue Price.	100.00 per cent. of the principal amount of the Bonds.
Form and Denomination.	The Bonds will be issued in registered form in the specified denomination of US$200,000 each and integral multiples of US$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.25 per cent. per annum, payable in arrear on 28 October 2021 and 28 April 2022.
Issue Date	29 April 2021.
Maturity Date	28 April 2022.
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and, subject to Condition 4(a) of the Terms and Conditions of the Bonds, unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, as further described in Condition 3(a) of the Terms and Conditions of the Bonds.
Status of the Guarantee .	The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

Negative Pledge and Financial Covenants . .	The Bonds contain a negative pledge provision and financial covenants, each as further described in Condition 4 of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction (as defined in the Terms and Conditions of the Bonds) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event the Issuer or, as the case may be, the relevant Subsidiary Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption.	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 28 April 2022.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes affecting taxes of a Relevant Jurisdiction, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control Event.	At any time following the occurrence of a Change of Control Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds, at 101 per cent. of their principal amount, together with accrued and unpaid interest to (but excluding) the date of such redemption, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate. The Bonds are not issued in bearer form.
ISIN/Common Code	XS2334068645/233406864.
Legal Entity Identifier . .	549300BJ7FGBP0KHXY31.

Governing Law	The Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking will be governed by English law.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent. .	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent.	The Bank of New York Mellon SA/NV, Dublin Branch.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the Bonds, as further described in Condition 15 of the Terms and Conditions of the Bonds.
Use of Proceeds	See section entitled "*Use of Proceeds*."
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*."
Keepwell Deed	The Issuer, the Company, Wanda HK and the Trustee will enter into a keepwell deed as further described in "*Description of the Keepwell Deed*."
Deed of Equity Interest Purchase Undertaking.	The Company and the Trustee will enter into a deed of equity interest purchase undertaking as further described in "*Description of the Deed of Equity Interest Purchase Undertaking*."

SELECTED FINANCIAL INFORMATION OF THE COMPANY

The following tables present the summary financial information of the Company. The Company's summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below has been derived from the Company's consolidated financial statements as at and for the years ended 31 December 2019 and 2020, as audited by E&Y, its independent auditor, and included elsewhere in this Offering Circular.

The Company's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been prepared and presented in accordance with IFRS. The summary financial statements below should be read in conjunction with the consolidated financial statements and the notes to those statements of the Company included elsewhere in this Offering Circular.

The Company publishes its interim financial information from time to time. Such financial information published by the Company in the PRC is normally derived from its management accounts, is not audited or reviewed by independent auditors and is not prepared or presented in accordance with IFRS, and therefore is not comparable with the Company's audited or reviewed consolidated financial statements.

Summary Consolidated Income Statement Information

The table below sets forth, for the periods indicated, certain revenue and expense items for our consolidated operations and other financial data:

	For the year ended 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Continuing operations			
Revenue	34,447	39,769	38,739
Cost of sales	(12,281)	(14,709)	(13,453)
Gross profit	22,166	25,060	25,286
Other income and gains	2,383	3,832	3,848
Increase in fair value of investment properties, net	15,603	12,024	6,386
Selling and distribution expenses	(911)	(1,195)	(2,060)
Administrative expenses	(2,979)	(3,958)	(4,264)
Other expenses	(1,285)	(620)	(778)
Finance costs	(8,058)	(10,017)	(10,158)
Share of profits and losses of joint ventures	(68)	(184)	(54)
Profit before tax from continuing operations	26,851	24,942	18,206
Income tax expense	(7,600)	(6,395)	(4,984)
Profit for the year from continuing operations	19,251	18,547	13,222
Discontinued operations			
Profit for the year from discontinued operations	12,415	6,573	807
Profit for the year	31,666	25,120	14,029
Attributable to:			
Owners of the parent	29,367	24,423	13,721
Non-controlling interests	2,299	697	308
	31,666	25,120	14,029
Other Financial Data: (unaudited)			
EBITDA[1]	18,855	20,654	19,629
EBITDA margin[2]	54.7%	51.9%	50.7%

Summary Consolidated Financial Position Information

	As at 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Non-current assets			
Property, plant and equipment	9,029	6,913	6,770
Investment properties	407,412	432,119	454,786
Right-of-use assets	–	1,436	1,390
Prepaid land lease payments and permanent land	1,640	–	–
Goodwill	1,338	287	287
Other intangible assets	1,914	1,817	1,631
Investments in joint ventures	2,278	2,094	2,040
Equity investments designated at fair value through other comprehensive income	2,560	987	518
Financial assets at fair value through profit or loss	8,236	–	4,000
Long-term receivables	407	262	1,348
Deferred tax assets	3,449	687	875
Other non-current assets	3,702	2,733	–
Total non-current assets	441,965	449,335	473,645
Current assets			
Inventories	47,211	454	579
Prepaid taxes	6,548	167	112
Trade and bills receivables	810	695	748
Contract assets	–	13	19
Contract incremental costs	231	–	–
Prepayments, other receivables and other assets	10,899	11,869	6,945
Financial assets at fair value through profit or loss	8,630	7,000	6,000
Other current assets	23,100	31,740	33,840
Restricted cash	5,917	982	838
Cash and cash equivalents	77,362	64,761	40,648
	180,708	117,681	89,729
Assets of disposal groups classified as held for sale	3,289	12,736	179
Total current assets	183,997	130,417	89,908
Current liabilities			
Trade and bills payables	34,695	16,344	11,780
Other payables and accruals	79,074	30,657	28,596
Interest-bearing bank and other borrowings	10,793	7,942	12,015
Deferred income	117	–	–
Lease liabilities	–	188	174
Dividend payables	35	46	–
Tax payable	4,217	2,891	893
Bonds and notes	11,986	39,845	36,740
	140,917	97,913	90,198
Liabilities directly associated with the assets classified as held for sale	–	6,230	–
Total current liabilities	140,917	104,143	90,198
Net current assets/(liabilities)	43,080	26,274	(290)
Total assets less current liabilities	485,045	475,609	473,355
Non-current liabilities			
Bonds and notes	78,633	43,543	36,753
Interest-bearing bank and other borrowings	90,883	90,207	88,207
Lease liabilities	–	8,313	11,976
Deferred income	488	610	590
Deferred tax liabilities	50,311	55,310	58,859
	–	313	263
Total non-current liabilities	220,315	198,296	196,648
Net assets	264,730	277,313	276,707

	As at 31 December		
	2018	**2019**	**2020**
	(CNY in millions)	**(CNY in millions)**	**(CNY in millions)**
Equity			
Equity attributable to owners of the parent			
Share capital	4,527	4,527	4,527
Reserves	241,260	259,626	269,054
	245,787	264,153	273,581
Non-controlling interests	18,943	13,160	3,126
Total equity	264,730	277,313	276,707

(1) EBITDA is not a standard measure under IFRS, but is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA refers to our gross profit less selling and distribution expenses and administrative expenses, plus depreciation, depreciation of right-of-use assets, amortisation of prepaid land lease payments and amortisation of other intangible assets, and is presented for continuing operations. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP financial measures*" for a calculation of our EBITDA.

(2) EBITDA margin is calculated by dividing EBITDA by the revenue from continuing operations for the relevant period, expressed as a percentage.

SELECTED FINANCIAL INFORMATION OF WANDA HK

The following tables present the summary financial information of Wanda HK. Wanda HK's summary consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 has been derived from Wanda HK's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 included elsewhere in this Offering Circular. Such consolidated financial statements of Wanda HK have been audited by E&Y, its independent auditor.

Wanda HK's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 have been prepared and presented in accordance with the HKFRS. The summary financial statements below should be read in conjunction with the consolidated financial statements of Wanda HK and the notes to those statements included elsewhere in this Offering Circular.

As at the date of this Offering Circular, the main assets of Wanda HK are its holdings of approximately 65% of indirect equity interest in the Hong Kong Listco and its 49% direct equity interest in the joint venture company that owns 100% interest in the Guilin Wanda Plaza Project. For more information of the Hong Kong Listco and its property projects, see "Description of Wanda HK – Acquisition and holding of the Hong Kong Listco" and "Description of Wanda HK – The Hong Kong Listco's property project in the PRC."

Summary Consolidated Income Statement Information

	For the year ended 31 December		
	2018	2019	2020
	(CNY in thousands)	(CNY in thousands)	(CNY in thousands)
Continuing operations			
Revenue	826,971	860,032	708,970
Cost of sales	(158,574)	(261,357)	(240,263)
Gross profit	668,397	598,675	468,707
Other income and gains, net	(332,584)	76,375	377,071
Net valuation loss on investment properties	(41,687)	(623,270)	(55,196)
Selling expenses	(38,013)	(33,528)	(32,902)
Administrative expenses	(203,585)	(203,554)	(154,921)
Finance costs	(662,586)	(511,617)	(764,378)
Loss before tax from continuing operations	(610,058)	(696,919)	(161,619)
Income tax credit/(expense)	(103,276)	30,003	(49,038)
Loss for the year from continuing operations	(713,334)	(666,916)	(210,657)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	1,006,828	(1,049,672)	114,210
Profit/(loss) for the year	293,494	(1,716,588)	(96,447)
Attributable to:			
Owners of the parent	297,591	(1,361,771)	(164,911)
Non-controlling interests	(4,097)	(354,817)	68,464
	293,494	(1,716,588)	(96,447)

Summary Consolidated Statements of Financial Position

	As at 31 December		
	2018	2019	2020
	(CNY in thousands)	(CNY in thousands)	(CNY in thousands)
Non-current assets			
Property, plant and equipment	591,171	124,164	112,701
Freehold land	139,420	–	–
Investment properties	5,412,000	3,793,000	3,738,000
Right-of-use assets	–	266,951	349,257
Prepaid land lease payments	14,665	–	–
Other intangible assets	6,365	9,541	13,224
Goodwill	286,751	286,751	286,751
Loan to related parties	–	–	745,134
Long-term receivable	311,826	253,890	1,340,669
Deferred tax assets	52,051	13,390	34,476
Total non-current assets	6,814,249	4,747,687	6,620,212
Current assets			
Properties under development	3,608,504	–	–
Completed properties held for sale	458,724	–	–
Trade and bill receivables	281,650	197,559	304,684
Prepayments, other receivables and other assets	5,125,480	3,625,386	3,435,947
Contract assets	–	12,990	18,910
Contract incremental costs	51,155	–	–
Prepaid tax	111,136	–	–
Income tax recoverable	–	–	586
Pledged deposits	9,042	400	400
Cash and cash equivalents	4,587,167	7,512,739	7,625,395
	14,232,858	11,349,074	11,385,922
Assets classified as held for sale	–	4,474,811	–
Total current assets	14,232,858	15,823,885	11,385,922
Current liabilities			
Trade payables, other payables and accruals	10,444,467	6,531,380	4,930,342
Contract liabilities	581,627	31,769	29,357
Receipts in advance	78,753	47,787	29,097
Loans from financial institutions	1,267,124	70,000	261,492
Other borrowings	11,234	–	–
Lease liabilities	–	10,590	19,956
Guaranteed bond	–	2,086,477	211,996
Tax payable	229,131	106,457	32,135
	12,612,336	8,884,460	5,514,375
Liabilities directly associated with the assets classified as held for sale	–	1,307,626	–
Total current liabilities	**12,612,336**	**10,192,086**	**5,514,375**
Net current assets	**1,620,522**	**5,631,799**	**5,871,547**
Total assets less current liabilities	**8,434,771**	**10,379,486**	**12,491,759**
Non-current liabilities			
Loans from financial institutions	1,729,800	764,523	515,000
Contract liabilities	–	23,888	48,107
Other borrowings	326,622	–	–
Guaranteed bond	4,050,224	6,845,397	9,048,685
Deferred tax liabilities	629,092	394,750	396,939
Lease liabilities	–	262,153	356,669
Other non-current liabilities	–	6,327	4,672
Total non-current liabilities	**6,735,738**	**8,297,038**	**10,370,072**
Net assets	**1,699,033**	**2,082,448**	**2,121,687**

	As at 31 December		
	2018	2019	2020
	(CNY in thousands)	(CNY in thousands)	(CNY in thousands)
Equity			
Equity attributable to owners of the parent			
Issued capital	–	–	–
Accumulated losses	(2,640,133)	(4,001,904)	(4,166,815)
Other reserves	2,822,310	4,944,374	5,243,319
	182,177	942,470	1,076,504
Non-controlling interests	1,516,856	1,139,978	1,045,183
Total equity	**1,699,033**	**2,082,448**	**2,121,687**

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding whether to invest in the Bonds. The following describes some of the significant risks that could affect the Company, the Issuer, Wanda HK, the other Subsidiary Guarantors and the value of the Bonds. Some risks may be unknown to the Company, Wanda HK, the other Subsidiary Guarantors and the Issuer; and other risks, currently believed to be immaterial, could, in fact, be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Company, Wanda HK, the other Subsidiary Guarantors and the Issuer. The market price of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Company, the Issuer, Wanda HK and the other Subsidiary Guarantors could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Company, the Issuer, Wanda HK and the other Subsidiary Guarantors may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of their business in the PRC.

Risks relating to our business

We are dependent on property leasing and management income from our investment property portfolio.

Property leasing and management income from our investment properties constitutes an important part of our revenue. For the years ended 31 December 2018, 2019 and 2020, property leasing and management income accounted for approximately 87.1%, 87.8% and 92.3%, respectively, of our revenue, as we have phased out our property development and sale business by transferring it outside of our Group to Wanda Properties in line with our asset-light strategy. We are subject to risks incidental to the ownership and/or operation of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. We provide certain covenants in our lease agreements with certain tenants which obligate us to achieve a designated occupancy rate and/or attract designated tenants. We cannot assure you that we will be able to abide by these covenants in the future. If we are unable to comply with these covenants, the relevant tenant has the right not to pay any rent, to adjust the rental rate or to terminate the lease agreement, as the case may be. Furthermore, for some of our tenants, their rents are based on their relevant revenues and, as a result, our rental income also partially depends on the business performance of our tenants. In addition, we may not be able to retain our tenants or secure new tenants at rental rates acceptable to us or at all. All these factors could negatively affect the demand for our investment properties and our rental income, which may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to attract and retain quality tenants for our investment properties.

Our investment properties compete for tenants with other property operators and developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. We cannot assure you that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with ours would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants to achieve our business objectives or at rental rates that are consistent with our projections. In addition, we may not be able to renew leases with our existing tenants on terms acceptable to us, or increase rental rates to a level of the then prevailing market rate, or at all, upon the expiry of the existing terms. Furthermore, some existing tenants may experience operational issues or financial difficulties or may even be forced into liquidation or bankruptcy. If we are not able to retain our existing tenants, attract new tenants to replace those that leave, or lease our vacant properties, our occupancy rates may decline and our investment properties may become less attractive and competitive. Deterioration of the financial condition of our existing tenants may also result in payment delays, non-payment of rents or even holdovers by such tenants. This, in turn, may have a material and adverse effect on our business, financial condition and results of operations.

Our profitability and results of operations are affected by the continued success of our business model and successful implementation of our asset-light model.

Our success is dependent on our managerial and operational resources, ability to obtain financings and manage and control our cash flows, and our knowledge of the needs of our target tenants and customers as well as the market trends for the commercial property management, retail and hotel sectors. If we fail to establish or expand our business model as much as anticipated, our business, financial condition and operating results may be materially and adversely affected.

In addition, in order to optimise the balance of high return on equity, stable cash flow and prudent capital structure, we initiated an asset-light development strategy in 2015 by introducing co-investors to collaboratively develop Wanda Plazas. Depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and land acquisition or, in certain cases, provide land, whereas we will be responsible for design, construction, leasing and operation, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio. We cannot assure you that we will always be able to secure suitable co-investors or agree with them on potential terms commercially acceptable to us, or that the co-investors will execute the project in the same manner, or as efficiently, as us. Any disagreements with our co-investors may also develop into stalemates or serious disputes, which may not be resolved efficiently or amicably in a short period of time. If we fail to successfully implement such asset-light model to the degree anticipated, our expansion plan may be affected, and, as a result, our business, financial condition and operating results may be materially and adversely affected.

Our profitability and results of operations depend on the expansion of our business into new geographic markets.

In order to achieve sustainable growth, we need to continue to seek business opportunities in selected regions in the PRC with the potential for growth in areas where we have no existing operations. We may not be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new projects. For the geographic locations we select, we may face intense competition from other commercial property operators with established experience or presence and from property developers with similar expansion plans. Furthermore, our experience in existing markets, and our business model, may not be readily transferable to, and replicated in, new markets in our target cities. We cannot assure you that we will not experience issues such as capital constraints, business interruptions and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations, and in training an increasing number of personnel to manage and operate the expanded business.

We may not be able to effectively manage our continued growth.

Continued expansion of our operations will place significant demands on our management, systems and resources. In addition to training and managing our workforce, our financial and management controls, reporting systems and procedures will also need to expand to cater to business extension and growth. In recent years, the scale of our business has continued to expand as the number of our subsidiaries increases. Although we have established internal control mechanisms to manage our subsidiaries, we cannot assure you that these internal control mechanisms will always be effective or we would be able to effectively monitor each subsidiary and prevent non-compliance. Also, we will need to effectively manage our capital and other financial resources in order to grow and expand our business, and we may fail to do so in the future. As a result, there can be no assurance that we will be able to efficiently or effectively manage the growth of our operations, and any such failure could materially and adversely affect our business, financial condition and results of operations as well as our ability to implement our business strategy.

We recorded net current liabilities as at 31 December 2020, which could expose us to liquidity risks.

As at 31 December 2020, we recorded net current liabilities of CNY290 million, which mainly resulted from a decrease in cash and cash equivalent primarily due to our payments for new investment properties and an increase in short-term borrowings. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and capital resources – Net current assets/ liabilities*" for more details. A net current liabilities position exposes us to liquidity risks and we cannot assure you that we will not experience similar situations in the future. Our future liquidity, the payment of trade and other payables and repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities as well as our ability to obtain additional funding. If we are unable to maintain sufficient working capital or liquidity, our business, financial position, results of operations and prospects would be materially and adversely affected.

Our profitability and results of operations are affected by changes in interest rates.

Our bank and other borrowings bear interest at fixed rates and floating rates. We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from commercial banks and trust financing companies. Accordingly, changes in interest rates have affected, and will continue to affect, our financing costs and, ultimately, our profitability and results of operations. For the years ended 31 December 2018, 2019 and 2020, total interest expenses on bank loans, other loans and bonds and notes (including capitalisation of interest) were CNY8,388 million, CNY9,858 million and CNY9,709 million, respectively. As we borrow from both domestic and overseas banks and other financial institutions, the changes in the prevailing interest rates in the domestic and global credit markets may affect our profitability and results of operations.

We have substantial indebtedness and may incur additional indebtedness in the future, and Wanda HK has had net losses, which may materially and adversely affect our financial condition and results of operations.

Our total interest-bearing bank and other borrowings, including both current and non-current borrowings, as at 31 December 2018, 2019 and 2020, amounted to CNY101,676 million, CNY98,149 million and CNY100,222 million, respectively, and our outstanding bonds and notes amounted to CNY90,619 million, CNY83,388 million and CNY73,493 million, respectively, as at the same dates. Our substantial indebtedness could have important consequences. For example, it could:

- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and for other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt;
- limit, together with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds; and
- increase the cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities, which could intensify the risks that we face as a result of our indebtedness.

Wanda HK had a net profit of CNY293.5 million for the year ended 31 December 2018 but incurred net losses of CNY1,716.6 million and CNY96.4 million for the years ended 31 December 2019 and 2020, respectively. There is no assurance that Wanda HK's operations will generate profits in the future, and in that case, to maintain solvency and liquidity, Wanda HK will rely heavily upon cash provided by the Company or by external financing. This, in turn, may materially and adversely affect our financial condition and results of operations.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the demand for commercial properties and commercial property management services in the regions where we operate, the performance of the retail and hotel sectors, and other factors, many of which are beyond our control. We may not generate sufficient cash flow or otherwise have sufficient funds to pay our anticipated operating expenses and to service or repay our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, disposing of our assets, restructuring or refinancing our indebtedness or, seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on our business, financial condition and results of operations. In such circumstances, our liquidity position, as well as our ability to service and repay our debts, may further suffer as a result.

Our consolidated subsidiaries may not be wholly-owned by us, which may lead to operational risks or reduce the cash distributions available to us.

We currently operate certain businesses through our subsidiaries. Our consolidated subsidiaries may not be wholly-owned by us. We may enter into, and may from time to time enter into, mergers or acquisitions, or introduce minority investors to our subsidiaries. Any increase in the non-controlling interests may lead to higher proportion of our profit being attributable to non-controlling interests. In addition, our subsidiaries may make distributions to the non-controlling shareholders, which may reduce the cash distributions available to us.

Further, as we do not own the entire equity interests in such non wholly-owned subsidiaries, the cooperative relationship with the shareholders of such subsidiaries will affect our ability to effectively implement operational strategies in relation to those subsidiaries and other markets in which they operate. We cannot assure you that any of the other shareholders of such non wholly-owned subsidiaries will maintain good relationships with us in the future. The other shareholders of such non wholly-owned subsidiaries may also have disputes with us for certain reasons, including such shareholders (i) having economic or commercial interests or purposes which conflict with ours; (ii) experiencing a change of control; (iii) encountering financial or other operational difficulties; or (iv) being unable or not willing to assume liabilities in connection with such subsidiaries. In the event that any of the above events occurs, the results of operations or financial condition of our subsidiaries may be materially and adversely affected.

The equity interests in certain of our PRC subsidiaries are pledged as collateral to secure our borrowings.

Certain of our PRC subsidiaries have entered into fund arrangements with certain financial institutions, which act in their capacity as trustees, pursuant to which such trustees have raised trust funds and injected the funds to these subsidiaries. All such funds bear interest at fixed interest rates, have fixed repayment terms, and are secured by equity interests of these PRC subsidiaries. The share of net assets in connection with the pledged equity interests of these PRC subsidiaries was approximately CNY79 million, CNY84 million and CNY23 million as at 31 December 2018, 2019 and 2020, respectively. In the event we fail to meet the payment obligations under such borrowings, the financial institutions may take possession of the pledged equity interests in these PRC subsidiaries. As a result, our business, financial condition and results of operations may be adversely affected.

Certain restrictive covenants and risks normally associated with debt financing may limit or otherwise materially and adversely affect our business, financial condition and results of operations.

We are subject to certain restrictive covenants in our loan and financing agreements with certain banks and trust companies and in our bonds. For example, some of our loan agreements obligate some of our subsidiaries to maintain certain financial ratios. In addition, certain loan agreements contain covenants pursuant to which we or our relevant operating subsidiaries may not enter into mergers or joint ventures, carry out any restructurings, decrease our or their respective registered share capital, transfer material assets, liquidate, change our shareholding, or distribute dividends without the relevant lenders' prior written consent, or unless we fully settle the outstanding amounts under the relevant loan agreements.

We cannot assure you that we will be able to abide by all of the restrictive covenants of any of our loan agreements in the future or obtain lenders' consents or waivers in a timely manner or at all. If we are unable to comply with the restrictions and covenants of our current or future debt obligations and other agreements, there could be a default under the terms of these agreements, in which event, the holders of the debt could accelerate repayment of the debt and declare all outstanding amounts due and payable, or terminate the agreements, as the case may be. Furthermore, some of our debt agreements contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of other debt, or result in a default under our other debt agreements.

If any of these events occurs, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness which has become due and payable, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms favourable or acceptable to us.

We may be materially and adversely affected if we fail to fulfil our obligations under the trust and other financing arrangements.

We entered into trust financing arrangements with certain trust financing companies acting as trustees of the respective trust funds to finance our property projects in the past. If we default on any financing repayment or otherwise breach the relevant trust or other financing agreement, we may be subject to litigation, our reputation may be damaged and we may have difficulties in raising further funds at our expected costs. In addition, under certain trust financing arrangements, we granted a pledge of the equity interest held by us in, and/or land use rights or other assets held by, our relevant subsidiary in favour of the trust financing company, or we transferred a minority equity interest in the relevant subsidiary and pledged the remaining equity interest held by us in the relevant subsidiary and/or our other assets to the trust financing company. Any default of such trust financing arrangements may prevent us from redeeming or repurchasing the pledged equity interest in our project companies and other pledged assets from the relevant trust financing companies. Any of the foregoing occurrences may adversely affect our business, financial condition and results of our operations.

An increase in online shopping could reduce the foot traffic in our shopping centres and the demand for our retail space.

In recent years, the traditional retail industry has experienced an overall slowdown due to development of e-commerce in China. With the rapid growth of e-commerce in China, more customers have switched their shopping habit from shopping in traditional retail stores to online shopping. As a result, more retailers may close their underperforming retail outlets and expand their operations and sales through online platforms. Such a shift in demand from traditional physical retail space to online shopping platforms has represented, and will continue to represent, a challenge for our commercial management business. There is no assurance that the foot traffic in our shopping centres and the demand for our retail space will not reduce in the future due to further development of e-commerce in China.

The fair value of our investment properties and goodwill is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss for the period in which they arise. Our valuations are based on current prices in an active market for similar properties or estimated by adopting an income capitalisation approach based on existing and current market rents for similar properties, using capitalisation rates that reflect current market assessments of the uncertainty in the market. Based on such valuation, we recognised the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated statements of profit or loss. For the years ended 31 December 2018, 2019 and 2020, our net increases in fair value of investment properties were CNY15,603 million, CNY12,024 million and CNY6,386 million, accounting for 49.3%, 47.9% and 45.5% of the net profit for the same periods, respectively.

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustments have been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we receive in actual sales of our investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

In addition, we may suffer goodwill impairment during our course of business. To compete effectively and sustain our growth, we may conduct mergers and acquisitions in different jurisdictions from time to time. However, we cannot guarantee the prices we paid for such mergers and acquisitions are the lowest or most reasonable in the market upon completion of such transactions. We conduct revaluation of our acquired assets annually and recognise relevant impairment losses when they occur, which may have an adverse impact on our profit for the relevant period. For the years ended 31 December 2018, 2019 and 2020, our goodwill impairment amounted to CNY1,113 million, CNY563 million and nil, respectively.

Our anchor tenants may have interests that are not aligned with our objectives for our investment properties.

The anchor tenants that rent and operate the retail properties owned and/or operated by us do not have exclusive arrangements with us and may own, operate or franchise other properties, including properties that may compete with the properties owned and/or operated by us. As a result, our anchor tenants may have interests that do not align with our interests with respect to our short-term or long-term goals and objectives. Disputes with our anchor tenants or the early termination of our lease agreements with them could materially and adversely affect our business, financial condition, results of operations and prospects.

Our hotel management business is heavily dependent on the quality of our hotel management services and the market recognition of our brand and reputation.

We began to operate hotels under the Wanda brand in 2012, and established our own hotel brands comprising Wanda Reign, Wanda Vista, Wanda Realm, Wanda Jin and Wanda Moments. We provide hotel management services and operate our own hotels as well as hotels not owned by us under our brand.

Our ability to attract and retain guests for hotels we operate depends, to an extent, upon the quality of our hotel management services as well as the external perceptions of our brand. We cannot assure you that we will continue to effectively provide quality hotel management services satisfactory to the hotel owners and fulfil the demands of the hotel customers. In addition, any actions, in connection with the hotels we operate, that are considered to be improper by the public may lead to negative publicity and media attention, which may damage our brand and reputation. Any degradation or adverse market developments or any negative publicity affecting any of these hotels could adversely affect the attractiveness of the hotels we operate. If we are unable to maintain and improve the quality of our hotel management services and the brand image and reputation of the hotels we operate, our operations, financial condition and results of operations may be materially and adversely affected.

We may not be able to generate adequate returns on our properties held for long-term investment purposes.

The completed property developments held by us are generally intended to be held for long-term investment. Property investment is subject to varying degrees of risks. The investment returns available from real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties, as well as the expenses incurred. Maximising yields from properties held for long-term investment also, to a large extent, depends on active ongoing management and maintenance of the properties. The ability to dispose of investment properties will eventually also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from completed investment properties and the value of property investments may be adversely affected by a number of factors, including, but not limited to, changes in rental levels at comparable properties, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting. If we are unable to generate adequate returns on our investment properties, our business, financial condition, results of operations and prospects may be adversely affected.

We incur high maintenance and operating costs in relation to the investment properties and hotels operated by us, which may increase.

Our property leasing and hotel operation businesses utilise a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utilities providers charge us, nor can we easily switch to different utilities providers. Any price increase or change in pricing structure from these utilities providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our tenants and guests could increase our operating costs if we are not able to pass these higher costs on to our customers.

In addition, operating investment properties and hotels, as well as the restaurants and other associated facilities within the hotels, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimising costs. Such limitations may have an adverse impact on our profitability when the property leasing and hotel industries experience a downturn, and may exacerbate the impact of a decline in occupancy rates, rental rates or room rates, or in demand for our restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our investment properties and hotels may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments and/or the redevelopment or renovation of the properties or neighbouring properties.

Our investment properties and hotels may have defects or deficiencies requiring significant capital expenditures, repair or maintenance expenses or payment of other obligations to third parties. Our investment properties and hotels may also need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such defects and/or the repair, maintenance or replacement works carried out could increase our costs and could have an adverse effect on the operations of our investment properties and hotels and/or the attractiveness to tenants and guests of such investment properties and hotels. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of an investment property or hotel or the restaurants or other facilities within the investment property or hotel. As a result, during the period of any such repairs, refurbishments, redevelopments or renovations, we may experience a reduction in the occupancy rates, rental income and/or average room rates of the investment property or hotel and/or the number of customers using our restaurants and catering facilities. The occurrence of any of the above circumstances could have a material and adverse effect on our business, financial condition and results of operations.

The operations of hotels and investment properties properties are subject to extensive laws and regulations and require licences and permits and any failure to comply with such laws and regulations or obtain or renew such licences and permits may adversely affect our operations.

The operations of hotels and investment properties properties are generally subject to various laws and regulations. Such laws and regulations may require us to be licensed and to obtain other permits to own, operate, manage and lease our investment properties and hotels. We cannot assure you that we will be able to obtain or renew the relevant licences and permits in the future. If we fail to obtain or renew our requisite licences and permits for our business and operations, our business, financial condition and results of operations may be materially and adversely affected. In addition, any changes in laws and regulations applicable to us may also impact the businesses of our properties and hotels and may result in higher costs of compliance. Moreover, any failure to comply with applicable laws and regulations could result in the imposition of fines or other penalties by the relevant authorities. The occurrence of any of the above circumstances could have an adverse impact on our business, financial condition and results of operations.

Our international operations may be risky, costly and difficult, and our profitability and prospects may be materially and adversely affected.

While continuing to focus on business operations in China, we have international operations and are exposed to a number of potential risks associated with international operations. Such potential risks include political and social instability, economic instability and recessions, increased labour costs and shortage of labour supply, difficulties of administering foreign operations generally, obligations to comply with a wide variety of domestic and foreign laws and other regulatory requirements, increased scrutiny for capital outflows in relation to outbound investment by PRC enterprises, potentially adverse tax consequences, foreign exchange fluctuation and losses, and the inability to effectively enforce contractual or legal rights. In addition, our experience in the PRC markets may not be readily replicated in markets in other countries. Any of the foregoing and other risks and uncertainties could adversely affect our international operations and result in reduced turnover from our international operations, which in turn could adversely affect our financial condition and results of operations.

Expansion into new businesses and our offerings of new products and services may expose us to challenges and risks.

We may continue to, as permitted by the PRC regulatory authorities, expand our offerings of products and services including, for example, entertainment services. On 31 May 2018, our Company, Linzhi Tencent Technology Co., Ltd.(林芝騰訊科技有限公司)and Hainan Fapiaoer Science and Technology Co., Ltd.(海南高燈科技有限公司), a Tencent-invested company engaging in electronic invoice business, announced that the three parties would launch an internet technology joint venture which aims to integrate both online and offline consumption and build a "New Consumption" business model. The joint venture, Shanghai Beyond Science Co., Ltd.(上海丙晟科技有限公司), incorporated in Shanghai on 8 June 2018, was held as to 51% by the Company. These new businesses may have different operational parameters and risk profiles when compared to our more established existing businesses, and we may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks. If we are unable to achieve the expected results with respect to new businesses we intend to enter into and our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Disputes with joint venture or other business partners may adversely affect our business.

Some of our businesses are being operated by joint venture enterprises formed by us and third-party partners or otherwise in cooperation with such third-party partners. The economic or business interests or goals of those partners may not always be consistent with those of ours. Joint venture or other business partners may be unable or unwilling to fulfil their obligations under the relevant agreements or may have financial difficulties. Additionally, a disagreement with any such third-party partners could result in postponement or suspension of the relevant projects, early termination of joint venture or cooperation arrangements, or litigation or other legal proceedings, which could adversely affect our business, financial condition and results of operations.

We could face business and financial risks with respect to past and potential future acquisitions, mergers and strategic alliances.

We could face significant management, administrative and financial challenges in achieving our key commercial objectives following any mergers, acquisitions and strategic alliances. These challenges include but are not limited to:

- difficulties in the integration of the operations, technologies and personnel of the acquired company;
- loss of key management staff upon the merger and/or acquisition;
- diversion of management's attention away from other business concerns;
- expenses of any undisclosed or potential legal liabilities of the acquired company;
- legal, regulatory, contractual, labour or other issues that could arise from an acquisition, merger or strategic alliance; and
- inability to service any increased leveraged positions upon the acquisition, merger, or strategic alliance.

The risks associated with acquisitions, mergers and strategic alliances could have a material adverse effect upon our business, financial condition and results of operations. We cannot assure you that we will be successful in integrating the acquired companies with our existing business and operations.

The illiquidity of commercial properties and the lack of alternative uses of investment properties and hotel may significantly limit our ability to respond to adverse changes in the performance of our investment properties.

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our commercial properties in response to changing economic, financial and investment conditions is limited. We cannot predict whether we will be able to sell any of our commercial properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. In addition, if we sell a commercial property during the term of that property's tenancy agreement or management agreement, we may have to pay termination fees to our retail tenants or our third party hotel management companies.

Moreover, investment properties and hotels may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that we will possess the necessary approvals and sufficient funds to carry out the required conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties and hotels could affect our ability to compete against our competitors and our results of operations.

We may not be as successful in carrying out our asset-light strategy as we would have anticipated, which may have a material and adverse effect on our business, financial condition and results of operations.

In light of the changing market conditions, we have adopted an asset-light development strategy and transformed ourselves from a property developer into an operator focusing on project execution and commercial management. In line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties.

In line with our asset light strategy, we may further dispose of our assets. We cannot guarantee that such disposals will be made at prices that enable us to achieve optimal economic returns, neither can we guarantee that the agreements with respect to these disposals will be carried out effectively or as anticipated. If we are not as successful in carrying out our asset-light strategy as we may have anticipated, our business, financial condition and results of operations may be materially and adversely affected.

We are, and will continue to be, dependent on the conditions of the PRC commercial property market, particularly the commercial property management sector, and in the cities where we operate and intend to operate.

We currently conduct substantially all of our business operations in the PRC, and substantially all of our revenue is derived from the PRC. Accordingly, our business and prospects depend heavily on the conditions of the PRC commercial property market, in particular, the commercial property management sector, and related sectors, including the retail and hotel sectors, which are heavily influenced by PRC government policies. Any adverse development in the demand for commercial properties and any measures that the PRC government may take to restrict the growth of the commercial property market in China, in particular, the commercial property management sector, especially in the cities where we operate or intend to operate, may adversely affect our business, financial condition, results of operations and prospects.

The PRC commercial property market, in particular, the commercial property management sector, and related sectors, including the retail and hotel sectors, are affected by many factors, including changes in the PRC social, political, economic and legal environment and changes in the PRC government's fiscal and monetary policy. We are also sensitive to changes in the economic conditions, consumer confidence, consumer spending and customer preferences of the urban Chinese population. Other factors beyond our control, such as levels of personal disposable income, may also affect consumer confidence in our geographic markets and demand for retail space or goods in our shopping centres or the services and accommodations in our hotels. Also, the value of our commercial properties may fluctuate significantly in response to market demands and policy changes in the PRC. The PRC property market experienced fluctuations in recent years in response to PRC government policies and trends in the PRC and world economy. Any global or PRC economic slowdown or financial turmoil in the future may adversely affect the business of the potential tenants of our commercial properties and the spending power of the potential patrons of our hotels, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be exposed to various types of taxes in the jurisdictions in which we operate or have a presence.

As our operations are primarily based in the PRC, the income and gains derived by us will be primarily exposed to profits tax in the PRC. In addition, the income and gains derived by us may be exposed to various types of taxes in other jurisdictions where members of the Group are incorporated, including Hong Kong, the British Virgin Islands, Bermuda and the United States. These may include income taxes, withholding taxes and other taxes payable on the receipt of dividends and other distributions. While we intend to manage our tax situation in each of these jurisdictions efficiently, there can be no assurance that the desired tax outcome will necessarily be achieved. In addition, the level of taxation in each of these jurisdictions, including the PRC, is subject to changes in laws and regulations as well as changes in the application of existing laws and regulations by tax authorities, and such changes, if any, may lead to an increase in our effective tax rates. We will also be subject to taxes in any new jurisdictions in which we may operate, and similar risks will apply in respect of such taxes. All of these factors may have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to obtain sufficient funding for our business expansion on commercially reasonable terms, or at all.

We expect to continue to incur significant capital expenditures and expenses to implement our business expansion. For the years ended 31 December 2018, 2019 and 2020, we financed our projects and other operations primarily through bank loans, proceeds from issuance of corporate bonds and medium-term notes and internally generated funds. We expect to continue to fund our operations and capital expenditure primarily through these sources. However, there is no assurance that such funds will be sufficient at any given time or all times or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties, many of which are beyond our control, including:

- requirements to obtain PRC government approvals necessary for obtaining financing in the domestic or international markets;
- our future results of operations, financial condition and cash flows;
- the condition of the international and domestic financial markets and the availability of financing in such markets;
- our shareholder's ability to provide guarantee to us;
- changes in the monetary policies of the PRC government with respect to bank interest rates;

- lending policies and practices of commercial banks; and
- changes in policies regarding regulation and control of the property or other markets in which we operate.

In addition, PBOC authorises the National Interbank Funding Centre to release the loan prime rate on a monthly basis, and PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing to us from them. PBOC has adjusted the bank reserve requirement ratio several times in recent years. We cannot assure you that the PRC government will not introduce initiatives that may limit our access to capital, or that we will be able to secure adequate financing or renew our existing credit facilities on commercially reasonable terms, or at all. Moreover, our investment properties and hotels require significant upfront capital expenditures but generate no cash inflow until the development has been completed and the relevant hotel operation or the lease with respect to the relevant investment properties commences. Furthermore, our investment properties and hotels require capital expenditures associated with periodic renovations. If we are unable to obtain sufficient funding for our business expansion and operation on commercially reasonable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

We cannot assure you that third-party contractors will always meet our quality standards and provide services in a timely manner.

We engage third-party contractors to provide various services in relation to our business operations. We generally select third-party contractors through competitive bids and also through an internal assessment of factors including their demonstrated competence, market reputation and our prior relationship with them, if any. We cannot assure you that the services rendered by any of these third-party contractors will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party contractor proves unsatisfactory, or if any of them is in breach of its contractual obligations due to their financial difficulties or other reasons, we may need to replace such contractor or take other actions to remedy the situation, which could materially and adversely affect our costs and operations. In addition, as we are expanding our business into new geographical locations, there may be a shortage of third-party contractors that meet our standards and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors in a timely manner, which may adversely affect our costs and the implementation of our business plans. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and reputation.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to the Administration of the Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 and which became effective on 1 February 2011, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We have failed to register certain of our leases in the past. Such failure may result in third parties challenging our interests in the respective leased properties. We cannot assure you that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, we may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from CNY1,000 to CNY10,000 per lease agreement. The occurrence of any of the above conflicts or disputes or the imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could materially and adversely impact our business, financial condition and results of operations.

If our provisions for LAT prove to be insufficient, our financial condition and results of operations may be materially and adversely affected.

Under PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT on the appreciation of land value at progressive rates ranging from 30% to 60%. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. Provisions for LAT are made on our own estimates based on, among other things, our own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. We cannot assure you that the relevant tax authorities will agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our business operations, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may restrict our cash flow position and our ability to execute our business plans.

We may not have adequate insurance to cover all losses and claims associated with our operations.

We maintain insurance in line with general industry practice in the PRC and other jurisdictions where we operate and as we consider appropriate for our business operations. We do not, however, maintain insurance against all risks associated with our operations. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, epidemics, war or civil disorder. We may incur losses, damages or liabilities over the course of our business operations arising from these uninsured events, and we may not have sufficient funds to cover the same or to rectify or replace any uninsured property that has been damaged or destroyed. In addition, any payments we are obligated to make to cover any losses, damages or liabilities may materially and adversely affect our business, financial condition and results of operations.

Our success depends on the continued services of our senior management team and other qualified employees.

Our continued success and growth depends on our ability to identify, hire, train and retain suitably skilled and qualified employees, including management personnel, with relevant professional skills. The services of our Directors and members of senior management are essential to our success and future growth. The loss of a significant number of our Directors and senior management could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. We may not be able to successfully attract, assimilate or retain all of the personnel we need. We may also need to offer superior compensation and other benefits to attract and retain key personnel and therefore cannot assure you that we will have the resources to fully achieve our staffing needs. Due to the intense competition for management and other personnel in the PRC commercial property management, retail and hotel sectors, any failure to recruit and retain the necessary management personnel and other qualified employees could have a material adverse impact on our business and prospects.

A deterioration in our brand image or any infringement of our intellectual property rights may materially and adversely affect our business.

We rely to a significant extent on our brand name, "Wanda" ("萬達"), in marketing our properties and services to potential tenants and customers. Any negative incident or negative publicity concerning us, our business or our tenants could adversely affect our reputation and business. Our brand value and consumer demand for our properties and services could decline significantly if we fail to maintain the quality of our properties and services or fail to deliver a consistently positive experience to our tenants and customers, or if we are perceived to have acted in an unethical or socially irresponsible manner. In addition, our efforts to protect our brand name may not be adequate and we may be unable to identify any unauthorised use of our brand name or to take appropriate steps to enforce our rights on a timely basis.

In addition, our service marks, trademarks, trade secrets and other intellectual property are critical to our success. We rely on trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, business partners and others to protect our intellectual property rights. Despite the precautions taken, it may be possible for third parties to obtain and use our intellectual property without authorisation, which may adversely affect our business and reputation. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and a diversion of resources and, consequently, could adversely affect our business and results of operations.

We rely on our information systems to conduct our business, and any failure to protect these systems against security breaches or any interruption or failure of these information systems could adversely affect our business and results of operations.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained in our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

If we fail to maintain effective internal controls and sound corporate governance, our business, financial condition, results of operations and reputation could be materially and adversely affected.

We have implemented various measures to improve and optimise our internal controls and corporate governance. However, there can be no assurance that all such measures will be effective or that material deficiencies in our internal controls will not be discovered. Our efforts to improve and optimise our internal controls have required, and in the future may require, increased costs and significant management time and commitment. If we fail to maintain effective internal controls, our business, financial condition, results of operations or reputation could be materially and adversely affected.

We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may be involved in disputes with various parties involved in our business operations, primarily the operation of our investment property leasing and management business and hotel business, including contractors, suppliers, tenants, customers and business partners. These disputes may lead to various forms of protests against us or legal or other proceedings and may result in substantial costs, damages to our brand and reputation, a diversion of resources and management's attention, and losses of tenants, service contracts or other business opportunities. In addition, we may have disagreements with regulatory bodies in the course of our operations which may subject us to administrative proceedings and unfavourable decrees that result in pecuniary liabilities, cause delays to our execution of expansion and other business plans or otherwise disrupt our business operations. We may be involved in other proceedings or disputes in the future that may have an adverse effect on our business, financial condition, results of operations or cash flows.

Adverse media reports about us, our projects or other aspects of our business, whether substantiated or not, may cause harm to our reputation and adversely affect our business and results of operation.

As a market leader in the commercial property management industry, information about us, our projects or other aspects of our business appears frequently in various media outlets. Some of these media reports may contain inaccurate information about us, our projects or other aspects of our business. For example, in the past, there were negative media reports alleging that government investigations had been brought against us. We could also be subject to, or otherwise affected by, negative publicity about our controlling or other shareholders, affiliates, directors, officers or other employees, as well as our partners or tenants. There can be no assurance that there will not be false, inaccurate or adverse media reports about us, our projects or other aspects of our business in the future. If there are false, inaccurate or adverse media reports that government investigations have been brought against us, or if there are rumours about our financial position and results of operations, our reputation and brand image could be harmed, we may lose clients and business partners, and our revenue and results of operation may be materially and adversely affected. In addition, such inaccurate or negative media reports may lead to regulatory investigations into or heightened scrutiny over us and we may be required to respond or take defensive and remedial actions with regard to such inaccurate or adverse media reports, which may divert our resources and our management's attention and adversely affect our business operations.

Moreover, there can be no assurance as to the appropriateness, accuracy, completeness or reliability of any media reports regarding our Group. To the extent that any media reports contain information that is inconsistent or conflicts with the information contained in this Offering Circular, we disclaim them, and investors should not rely on such information in making a decision as to whether to purchase the Bonds, and should rely only on the information included in this Offering Circular.

Accidents, injuries or prohibited activities in our investment properties and hotels may adversely affect our reputation and subject us to liability.

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests and infringement of third parties' intellectual property or other rights by our tenants) taking place in public places that we own, such as shopping malls and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties or hotels could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and hotel occupancy rates and increase our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties or hotels, we may be held liable for costs, damages and fines and there is a risk that our operations may be suspended as a result. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all.

Historical consolidated financial information of our Group may not be indicative of its current or future results of operations.

The historical financial information of our Group included in this Offering Circular may not be indicative of our future financial results. Such financial information is not intended to represent or predict our results of operations of any future periods. Our future results of operations may change materially if our future growth deviates from the historical trends for various reasons, including factors beyond our control, such as changes in economic environment, PRC rules and regulations and the competitive landscape of the industries in which we operates. We may also acquire businesses or companies or dispose of subsidiaries or assets from time to time in accordance with our business objectives. For example, in line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties. As a result, income from sales of properties which we had historically generated in our business has ceased to be a source of our revenue. Therefore, period-to-period comparisons of our Group's historical operating results must be evaluated in light of the impact of any such transactions and considerations.

The Company publishes and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Company from time to time issues corporate bonds, mid-term notes and short-term financing bills in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Company needs to publish its half-year and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds, mid-term notes and short-term financing bonds. In addition, we are obligated by the terms of the Bonds, among others, to provide holders of the Bonds with our audited financial statements and certain unaudited periodical financial statements. The quarterly and half-year financial information published by us in the PRC is normally derived from our management accounts and has not been audited or reviewed by independent auditors, and therefore is not comparable with the Company's audited or reviewed consolidated financial statements. Such quarterly and half-year financial information published by us is also not prepared in accordance with IFRS. As such, this financial information published in the PRC should not be relied upon by potential investors to provide the same quality of information associated with any audited or reviewed information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, our accounting policies and/or applicable laws and regulations affecting our financial reporting or to reflect the subsequent comments given by the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in our management accounts subsequently published in the PRC and our audited or reviewed financial statements to be provided to holders of the Bonds. We are not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC, and, therefore, investors should not place any reliance on any such financial information.

Risks relating to our industries

The industries in which we operate, including the PRC commercial property management, retail and hotel sectors are still evolving and and face a significant degree of uncertainty.

There remain a significant degree of uncertainty as to the future development of the industries in which we operate, including the PRC commercial property management, retail and hotel sectors. Numerous factors may affect the development of these industries, including, for example, the adoptions of or changes to laws and regulations, future economic conditions as well as the trends of consumer spending and consumption patterns. Accordingly, it is very difficult to predict how such industries and sectors will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's commercial property market and China's commercial property management, retail and hotel sectors contribute to overall uncertainty faced by such industries. If any of these industries experiences a slowdown in its development or downturn, our business, financial condition, results of operations prospects could be materially and adversely affected.

The global financial markets have experienced significant slowdown and volatility during the past few years, and any continued deterioration may materially and adversely affect our business and results of operations.

Our business and results are substantially affected by general global economic conditions and financial market conditions. The global economic slowdown and fluctuations in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC commercial property industry, in particular, the commercial property management sector and the related sectors, including the retail and hotel sectors, and many other industries. More recently, global market and economic conditions have continued to be adversely affected by the credit crisis, the United Kingdom's exit from the European Union, the trade war between the US and the PRC, increases in tariffs, the slowdown of economic growth in various countries and a heightened market volatility in the PRC and certain other major stock markets, which may:

- reduce the demand for commercial properties and commercial property management services and result in the reduction of occupancy rates and rental rates;

- adversely impact the level of disposable income that consumers spend on leisure and entertainment activities and business trips, which may reduce their patronage of shopping centres and hotels and thus further impact the demand for commercial properties; and

- negatively impact the ability of commercial property operators and owners to obtain financing.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, the general demand for commercial properties and erosion of their occupancy rates and rental rates. Any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and financial crisis continue or become more severe than currently anticipated, or if the PRC economy continues to slow down, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Increasing competition in the PRC may materially and adversely affect our business and financial condition.

In recent years, a large number of property operators and developers have undertaken property development and investment projects across China, including commercial property investment and management projects similar to ours, and we expect the level of competition to increase over time, especially as new players enter the market and existing players expand, merge, reorganise and become more established. Intense competition among property operators and other players in China for commercial property projects, financing and skilled management and human resources may result in increased cost for commercial property acquisition, an oversupply of commercial properties available for leasing, a decrease in commercial property rental rates, a reduced demand for commercial management services and an increase in administrative costs for hiring or retaining qualified personnel and contractors.

Our property leasing and management business and hotel business also face significant competition, primarily from properties of a similar grade in their immediate vicinity and also with other properties in their geographical market. The level of competition is affected by various factors, including changes in local, regional and global economic conditions, changes in local, regional and global populations, the supply of and demand for properties, changes in travel patterns/preferences and the level of business activity.

We compete with our competitors across a range of factors, including location, capital resources, transportation, infrastructure, government tax and other incentives, design, quality of premises, accommodations and amenities, breadth and quality of services provided, brand recognition, maintenance and supporting services. We also compete on rental rates and other terms. As a result, we may: (i) lose current and potential tenants or customers to our competitors and have difficulty renewing leases on or re-letting properties or selling hotel rooms; (ii) be forced to reduce our rental rates or room rates; or (iii) incur additional costs in order to make our properties more attractive than those of our competitors. If we are unable to compete effectively and consistently, we may not be able to lease our properties or sell our hotel rooms on favourable terms, or at all, our occupancy rates may decline and we may not be able to recover our costs.

In addition, our existing competitors may adopt new business models or platforms, and enhance their competitiveness in traditional industries by using high technologies or partnering with high technology companies. New competitors may also emerge from a new economy, or new sectors, where they may achieve significant financial success and invent new technologies to compete with us more effectively.

Any of the above may adversely affect our business, financial condition and results of operations. In addition, the commercial property market and the commercial property management, retail and hotel sectors in China are rapidly changing in response to various external factors beyond our control. If we fail to respond to these changes in market conditions or customer preferences more swiftly or effectively than our competitors, our business, financial condition and results of operations could be adversely affected.

Risks relating to conducting business in the PRC

As substantially all of our operations are conducted in the PRC, any adverse change in the PRC's political, economic or social condition may have a material and adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- economic and political structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control over capital investment;
- control of foreign exchange; and
- allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to that of developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although in recent years the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government.

The future performance of the PRC economy is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. Effective on 31 January 2020, the United Kingdom has officially exited from the European Union. There remains significant uncertainty as to its impact on the economic conditions of other part of the world, such as the PRC, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. The outlook for the world economy and financial markets in 2021 remains uncertain. From time to time, the PRC and other countries may adopt, adjust or withdraw their macroeconomic measures, monetary policies and economic stimulus packages, which further increases the difficulty in predicting the outlook for the world economy and financial markets. Economic conditions in the PRC are sensitive to global economic conditions and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and European countries between 2008 and 2011.

At the same time, the trade dispute between the PRC and the United States may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global and the PRC economies. In 2018, the United States announced a series of tariffs on imported goods from the PRC. The PRC imposed tariffs on a wide range of products from the United States in retaliation for the new US tariffs. In December 2018, the PRC and the United States commenced negotiations to resolve their trade conflicts. In May 2019, the United States raised additional tariffs on certain goods imported from the PRC, which the PRC government responded by announcing further tariffs on certain goods of US origin. In January 2020, the PRC and the United States signed a phase one trade deal, which includes, among others, commitments by China to increase purchases of goods and services from the United States. However, we cannot predict as to the implementation or effect of the phase one trade deal between the PRC and the United States. It remains uncertain whether or not the PRC and the United States would be able to reach any further trade agreement or otherwise resolve their remaining trade issues in the near future or at all. The adoption and expansion of trade restrictions, the occurrence and escalation of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact the PRC economy, which in turn could adversely impact our business, financial condition and results of operations.

In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Other political, economic and social factors may also lead to further adjustments of the reform measures. For example, the PRC government has, in the past, implemented a number of measures intended to curtail certain segments of the economy, including the property industry, which the government believed to be overheating. Other factors or events, such as the outbreak of novel coronavirus pandemic, which has occurred in the PRC and other countries since late 2019, may also have a significant adverse impact on the PRC's political, economic and social conditions, which in turn may materially and adversely affect our business, financial condition, results of operations and prospects. There is no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protections available to us in respect of our operations.

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation that it holds available for inspection.

Agreements that are governed by PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

Compliance with PRC laws and regulations regarding environmental protection and public health may result in substantial costs, which may materially and adversely affect our operations and profitability.

We are subject to extensive PRC laws and regulations concerning environmental protection, public health and the preservation of antiquities and historical monuments which impose fines for violation and authorise government authorities to shut down any construction sites that fail to comply with governmental orders requiring the cessation of certain activities causing environmental damage or damages to antiquities or historical monuments. As required by PRC laws and regulations, each project we execute is required to undergo environmental assessments and the related assessment document must be submitted to the relevant government authorities for approval before commencement of construction or be filed with the relevant government authorities for registration before the construction project is completed. If we fail to submit the environmental impact report or analysis table of its project for approval pursuant to the relevant laws, and commences construction without authorisation, the local environmental authority may order us to suspend construction of the project until the development environmental impact assessment report or analysis table is submitted to and approved by the local environmental authority. The local environmental authority may also impose on us a fine not less than 1%, but not more than 5% of the total investment of the construction project if we commence construction prior to obtaining such approval. If we fail to submit the environmental impact registration form of our project for record-filing pursuant to the relevant laws, the local environmental authority may order us to complete such record-filing process and may also impose on us a fine of up to CNY50,000. We cannot assure you that we will be able to comply with all such requirements with respect to environmental assessments. It is possible that the environmental assessments conducted may not reveal all environmental liabilities or their full extent, and there may be material environmental liabilities of which we are unaware. In the event of a termination of construction and/or imposition of a fine as a result of our non-compliance, our financial condition may be materially and adversely affected.

We are subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Substantially all of our operating income is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet our foreign currency obligations, such as overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

Fluctuation of the Renminbi, particularly against the US dollar, could materially affect our financial condition and results of operations.

While we conduct substantially all of our business operations in the PRC, we also derive foreign currencies denominated revenue. We may convert Renminbi into foreign currencies to make investments and acquisitions overseas. A portion of our revenue, expenses and bank borrowings are denominated in US dollar and other foreign currencies, although our functional currency is the Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi, the Hong Kong dollar or the US dollar, could affect our profitability and may result in foreign currency exchange losses of our foreign currency-denominated assets and liabilities.

The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the US dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the US dollar following this August 2015 announcement by the PBOC. Since 2016, the exchange rate of Renminbi against the US dollar experienced further fluctuation. Following the gradual appreciation against US dollar in 2017, Renminbi experienced a depreciation in value against US dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the PBOC set the RMB's daily reference rate above 7 per US dollar for the first time in over a decade amidst an uncertain trade and global economic climate. This also occurred in early 2020 due to the adverse changes in the PRC economy mainly as a result of the COVID-19 outbreak. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the US dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against the US dollar or other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets. Conversely, any significant depreciation of the Renminbi may adversely affect the value of its businesses and could adversely affect the value, translated or converted into US dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Bonds. As the majority of the Group's costs and expenses are denominated in Renminbi, appreciation of the Renminbi against the US dollar would increase the Group's costs in US dollar terms. In addition, as the Group's operating subsidiaries in the PRC receive revenues in Renminbi, any significant depreciation of the Renminbi against the US dollar may have a material adverse effect on the Group's revenues in US dollar terms and financial condition. For example, if the Group would need to convert proceeds of this offering dominated in US dollars into Renminbi for its operations, appreciation of the Renminbi against the US dollar would have an adverse effect on the Renminbi amount it receives from the conversion. In addition, there are limited instruments available for the Issuer to reduce its foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our businesses, financial conditions and results of operations.

Our investment properties are located on land that is under long-term land use rights granted by the PRC government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights is 40 years for commercial use purposes and 50 years for mixed-use purposes. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for, and is granted, an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal, and holders of land use rights are required to apply for extensions of the land use rights prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as at the date of this Offering Circular, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC government may, where it considers it to be in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations and business could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect our business and results of operations.

The PRC Labour Contract Law became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees, which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020, which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of these protective labour measures or any additional future measures, our labour costs may increase. Furthermore, in the event we decide to significantly change or decrease our workforce, the PRC Labour Contract Law and other relevant regulations could adversely affect our ability to effect these changes in a cost-effective manner or in the manner that we desire, which could result in an adverse impact on our businesses, financial condition and results of operations. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

Investors may experience difficulties in effecting service of process, enforcing foreign judgments or bringing original actions in the PRC against us or our Directors.

Substantially all of our assets are located within the PRC, and most of our Directors and senior management reside within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon us, most of our Directors and senior management, including for matters arising under applicable securities laws. In addition, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. Therefore, it may be difficult or impossible for you to enforce against us, our Directors or our senior management in the PRC any judgments obtained from non-PRC courts.

The occurrence of epidemics (e.g., the outbreak of novel coronavirus disease (COVID-19)), natural disasters, acts of war, terrorist attacks and other catastrophic events could affect our business and the national and regional economies in the PRC.

The occurrence of epidemics, such as the outbreak of novel coronavirus disease (COVID-19), natural disasters, extreme weather and climate change, acts of God and other catastrophic events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. In addition, some regions in the PRC, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fire and droughts. Our business, financial condition and results of operations may be materially and adversely affected if natural disasters or other such events occur.

Epidemics threaten people's lives and may materially and adversely affect their livelihoods, living and consumption patterns. The outbreak of COVID-19 since late 2019, coupled with the measures implemented by relevant government authorities to contain it, such as city lockdown, extended holidays, stringent quarantine, social distancing, closure of workplace premises, travel restrictions, border controls and other measures to discourage or prohibit the movement of people, has resulted in significant disruptions to people's lives and has had a material and adverse effect on the level of production and other economic activities across the world, including the PRC. As a result of such COVID-19 outbreak in the PRC, we experienced a significant decrease in foot traffics to our shopping centres during the first few months in 2020. In addition, to support the business of Wanda Plaza tenants during the pandemic, we provided rent concessions to all tenants and waived their property management fees for the period from 25 January 2020 to 29 February 2020. We further deferred payments of rents and property management fees by some tenants that were experiencing financial difficulties and deferred payments for some of them to as late as the end of 2020. If the COVID-19 outbreak prolongs, our tenants' ability to pay rent and in full may be adversely affected, and our ability to secure new tenants may also be adversely affected, which may result in shortfall in rental payments. Moreover, the COVID-19 outbreak also poses risks to the wellbeing of our employees and customers as well as our shopping centres, hotels and other facilities, which may materially and adversely affect our business operation, and our shopping centres, hotels or facilities may be required to be suspended or quarantined if there were the clusters for the COVID-19 cases in or near our shopping centres, hotels or facilities or as a result of governmental ordinance or measures to contain the outbreak. Given the significant uncertainties as to the continued development of the COVID-19 outbreak at the moment, it is difficult to predict how long the relevant conditions will last, the extent and magnitude to which the PRC and global economies will be damaged by the outbreak as well as the scope and degree of its impact on us and our business. However, if the COVID-19 outbreak continues for a prolonged period or further worsens, the economies of the PRC and the world will experience significant downturn, which in turn may have a material adverse effect on our business, financial condition, results of operations and prospects. The occurrence of any epidemic is beyond our control and there is no assurance that the outbreak of severe acute respiratory syndrome, avian flu or the human swine flu will not happen again. Any epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition, results of operations and prospects.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, our distribution channels, markets, suppliers and customers, the occurrence of any of which may materially and adversely affect our business, revenue, cost of sales, financial condition and operating results. Potential war or terrorist attacks may also cause uncertainties and cause our business to suffer in ways that we cannot currently predict. With regard to our hotel business, the consequences of any terrorist attacks or armed conflicts are unpredictable and may include the issuance of official travel advice warning people to defer and/or avoid travel to certain locations in which our hotels operate, as well as a general reluctance of people to travel. We may not be able to foresee events that could have an adverse effect on the travel and hospitality and leisure industry, the locations in which our hotels are located and our business and results of operations.

The facts and statistics included in this Offering Circular relating to the PRC's economy and its property market might not be accurate.

All facts and statistics in this Offering Circular relating to the PRC's economy and property industry are extracted from publicly available publications. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us or our advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to a lack of information regarding methods or the accuracy of data collection and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Risks relating to the Bonds, the Guarantee, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed

As a holding company, we mainly rely on dividends and repayments on intercompany loans from our subsidiaries for funding.

As a holding company, we operate our business mainly through our subsidiaries, including Zhuhai Wanda. See "Description of the Company – Recent Developments". We may fund our subsidiaries through intercompany loans, financing from equity placements, strategic investment, capital injection and other capital resources. The availability of funds to service our debts and our ability to meet our obligations under the Keepwell Deed and Deed of Equity Interest Purchase Undertaking depends upon dividends and repayments on intercompany loans received from our subsidiaries. If our subsidiaries incur debt, the holders of such debt may be able to impair the ability of such subsidiaries to pay dividends or other distributions to us. In addition, dividends or other distributions payable to us by our subsidiaries are limited by the percentage of our equity ownership in these subsidiaries. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. As our subsidiaries may not be wholly-owned by us, any increase of non-controlling interest in the subsidiaries may lead to an increased portion of profit attributable to non-controlling interest and distributions to such non-controlling interest will potentially impact the repayments or distributions we may receive from our subsidiaries. As a result, our ability to service our debts and our ability to meet our obligations under the Keepwell Deed and Deed of Equity Interest Purchase Undertaking will be restricted.

PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, the PRC laws require the companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Furthermore, dividend payments may also need to comply with the requirements and restrictions in any dividend policies adopted by our subsidiaries subject to the applicable laws and regulations. These restrictions may have adverse effect on our ability to service our debts and our ability to meet our obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking as we rely heavily on dividends and repayments from these entities.

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Subsidiary Guarantors, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or any of the Subsidiary Guarantors enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or any Subsidiary Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or any Subsidiary Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Subsidiary Guarantors' assets may not be sufficient to pay amounts due on the Bonds.

The Keepwell Deed and the Deed of Equity Interest Purchase Undertaking are not guarantees of the payment obligations under the Bonds and the Guarantee and may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company.

The Company will enter into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking in relation to the Bonds. See "*Description of the Keepwell Deed*" and "*Description of the Deed of Equity Interest Purchase Undertaking*". Upon the occurrence of an event of default as set out in Condition 9 in the Terms and Conditions of the Bonds, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds or Wanda HK under the Guarantee. Accordingly, the Company will only be obliged to cause the Issuer or Wanda HK to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or Wanda HK to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee.

Furthermore, even if the Company intends to perform its respective obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, depending on the manner in which the Company performs its respective obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking in causing the Issuer or Wanda HK to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Bonds or the Guarantee, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, MOFCOM and SAFE. Similarly, even if the Company intends to, in accordance with its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, grant the Issuer a standby facility pursuant to which the Company will remit an amount sufficient to discharge the Issuer's payment obligation under the Bonds, the Trust Deed and the Keepwell Deed, the Company may not be able to grant such standby facility due to reasons beyond its control, such as the failure or inability to obtain any required consents, approvals, registrations and/or filing from relevant PRC government authorities and unforeseeable changes in government policies or regulations.

In addition, under the Keepwell Deed, the Company will undertake to cause the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds and/or the Guarantee. However, any claim by the Issuer, Wanda HK and/or the Trustee against the Company in relation to the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (which have not provided the Guarantee), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries (which have not provided the Guarantee) will have priority to access the assets of such entities over the claims of Wanda HK and the Trustee under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

Moreover, the obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking may not give rise to a debt claim in the event of any insolvency proceedings in relation to the Company. Accordingly, the holders of the Bonds may have limited or no remedies against the Company, in connection with such insolvency proceedings.

Further, even if the Bondholders or the Trustee have successfully obtained a judgment in Hong Kong courts in relation to the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking, there can be no assurance that PRC courts will recognise and enforce such a judgment in insolvency proceedings relating to the Company. Accordingly, the Bondholders may have limited or no remedies against the Company in connection with such insolvency proceedings. See "*– Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.*" for more details.

The obligations of the Subsidiary Guarantors under the Guarantee are structurally subordinated to the liabilities and obligations of their respective subsidiaries.

The Subsidiary Guarantors are holding companies that mainly conduct their business through their respective subsidiaries, and the Subsidiary Guarantors' ability to perform their obligations under the Guarantee is effectively dependent on the cash flow of their respective subsidiaries. See "*Risk Factors – Risks relating to the Issuer, Wanda HK and the other Subsidiary Guarantors.*" Any claim by the Trustee against any of the Subsidiary Guarantors in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Subsidiary Guarantors' subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries (which have not provided the Guarantee) will have priority to access the assets of such entities over the claims of the Trustee under the Guarantee.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and there may be uncertainties with respect to the implementation of the NDRC Circular.

The Company intends to assist the Issuer and the Subsidiary Guarantors to meet their obligations by entering into the Deed of Equity Interest Purchase Undertaking on the Issue Date. Under the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase from any one or more Subsidiary Guarantors or any offshore subsidiary of the Company (each, a "**Relevant Transferor**") their equity interest in certain onshore or offshore subsidiaries at a purchase price, subject to the terms in the Deed of Equity Interest Purchase Undertaking and the applicable PRC laws and regulations, not lower than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed.

Performance by the Company of the Deed of Equity Interest Purchase Undertaking may be subject to the approvals of or registrations with:

- NDRC or its local office in respect of the transfer of the equity interest in the offshore subsidiaries from the Relevant Transferor to the Company;

- the MOFCOM or its local office in respect of the transfer of the equity interest in the offshore subsidiaries from the Relevant Transferor to the Company;

- the State Administration for Market Regulation or its local office in respect of the transfer of the equity interest in the onshore subsidiaries from the Relevant Transferor to the Company;

- the relevant PRC tax authorities in respect of withholding tax for the Relevant Transferor; and

- SAFE or its local office in respect of (i) changing the SAFE registration of, or in connection with, the onshore or offshore companies being sold, and (ii) the remittance of the purchase price, denominated in US dollars, from the Company in the PRC to the Subsidiary Guarantor(s) in Hong Kong (where applicable),

or other approvals, registrations and/or filings required under the applicable PRC laws, regulations or policies.

As the approval process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either the requisite approvals or registrations in time, or at all, or that the PRC government's relevant policies or regulations will not change in the future. In the event that the Company fails to obtain the requisite approvals or registrations, the Issuer and the Subsidiary Guarantors may have insufficient funds to discharge their outstanding payment obligations to the holders of the Bonds.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Trustee's claim against the sale proceeds will be an unsecured claim and may rank lower in priority than any claims by secured third party creditors of such Relevant Transferor where it is the Subsidiary Guarantor. Where a Relevant Transferor is not a Subsidiary Guarantor, the Trustee will not have a direct claim against the sale proceeds received by such Relevant Transferor.

Furthermore, according to the NDRC Circular effective on 14 September 2015, for a debt security to be issued outside of the PRC that will have a tenor of more than one year, the relevant domestic enterprise and its overseas controlled entities shall register the debt security with the NDRC prior to its issue and make required post-issue filings within 10 PRC Business Days after the completion of the issue. While the Bonds have a tenor of less than one year, we cannot assure you, however, that NDRC will not impose more stringent approval or filing requirements to restrict issue of debt securities outside of the PRC for economic, national policy, national security or other reasons. If we are required to comply with any such new requirements that become effective before the issue or during the tenor of the Bonds, the Bondholder's interests and rights may be adversely affected.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors.

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase or procure a subsidiary of the Company to purchase from one or more Relevant Transferor the equity interest held by it upon the occurrence of an event of default under the Bonds. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Company and its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Company and its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and

- in the event that certain equity interests have been secured in favour of third party creditors, the Company and its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions of the Bonds and the Keepwell Deed, there are no restrictions on the Subsidiary Guarantors or their respective subsidiaries entering into financing agreements with such non-disposal or other restrictive covenants or securing the equity interests of any member of the Subsidiary Guarantors and their subsidiaries in favour of its creditors. In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that the relevant Subsidiary Guarantor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If such consents or releases cannot be obtained, the relevant Subsidiary Guarantor may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company, failing which, the Issuer and the Subsidiary Guarantors may have insufficient funds to discharge their payment obligations to the holders of the Bonds.

In addition, third party shareholders' consent may also be required in the following circumstances:

- if the Company chooses to acquire the equity interest of companies that are owned by the Hong Kong Listco, this would amount to a connected transaction under the Listing Rules and such sale would need to comply with the requirements of the Listing Rules, including that the sale is approved by the independent shareholders of the Hong Kong Listco (where Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司, the major shareholder of the Hong Kong Listco would need to abstain from voting); furthermore, any lending of such sale proceeds from the Hong Kong Listco to the Issuer or a Subsidiary Guarantor in order for them to meet their respective obligations under the Bonds or the Guarantee would also amount to a connected transaction under the Listing Rules that would require, among other things, independent shareholders' approval; and

- if the Company chooses to acquire the equity interests of certain non-wholly-owned companies of a Relevant Transferor, this may be subject to pre-emptive rights or other restrictions in such company's articles of association or shareholders' agreement, or may otherwise require the selling shareholder to obtain consent or waiver from other third party shareholders before any equity interest can be sold to the Company or its subsidiaries or affiliate.

In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there is no assurance that any required approvals or waivers can be obtained from third party shareholders in a timely manner or at all.

See "*– The Issuer and the Subsidiary Guarantors have limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking*."

The Issuer and the Subsidiary Guarantors have limited assets which can be sold to the Company pursuant to the Deed of Equity Interest Purchase Undertaking.

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company agrees to purchase or procure a subsidiary of the Company to purchase from a Relevant Transferor the equity interest held by it upon the occurrence of an event of default under the Bonds.

As at the date of this Offering Circular, the Issuer and the Subsidiary Guarantors have very limited assets that can be sold to the Company in the event that the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective. The assets of Wanda HK as at the date of this Offering Circular mainly comprised an approximately 65% equity interest in Hong Kong Listco and a 49% equity interest in a joint venture company, which owns 100% interest in a PRC project. Hong Kong Listco mainly holds a 51% equity interest in a PRC project.

The acquisition of these assets will be subject to regulatory and other approvals, including:

- if the Company decides to acquire the 49% equity interest of Wanda HK in the joint venture company, this would be subject to certain approvals and/or registrations of the PRC governmental authorities, including the NDRC or its provincial department, MOFCOM or its provincial department and the relevant SAFE branch and/or competent banks since this amounts to an overseas investment by the Company;

- if the Company decides to acquire the approximately 65% equity interest of Wanda HK in the Hong Kong Listco (or any of the equity interest in the intermediate holding companies), this would be subject to certain approvals and/or registrations of the PRC governmental authorities, including the NDRC or its provincial department, the relevant administration for market regulation bureau and the relevant SAFE branch and/or competent banks since this amounts to an overseas investment by the Company; and

- if the Company decides to acquire any equity interest of PRC-incorporated subsidiaries of the Hong Kong Listco, this would require, among other things, the approval of the independent shareholders of the Hong Kong Listco and certain approvals and/or registrations of the PRC governmental authorities, including the relevant SAFE branch and/or competent banks, the relevant administration for market regulation bureau and the competent industrial authorities (if applicable) since this amounts to a change of shareholders of a foreign invested company in China.

See "*– Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests are secured in favour of third party creditors*" and "*– Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities and there may be uncertainties with respect to the implementation of the NDRC Circular*."

There is no assurance that such approvals can be obtained in a timely manner, or at all. In the event that such approvals cannot be obtained and there are no other future assets that the Company can purchase, the Deed of Equity Interest Purchase Undertaking may not be effective in enabling the Company to assist the Issuer and the Subsidiary Guarantors with their respective obligations under the Bonds, the Guarantee and the Trust Deed.

If the Issuer or any of the Subsidiary Guarantors is unable to comply with the restrictions and covenants in its respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's or the relevant Subsidiary Guarantor's debt to be accelerated.

If the Issuer or any Subsidiary Guarantor is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the relevant Subsidiary Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by a Subsidiary Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that our assets and cash flows would be sufficient to repay in full all of the Issuer's or such Subsidiary Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or any of the Subsidiary Guarantors could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the relevant Subsidiary Guarantor(s).

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in prices for comparable companies, negative news or other publicity relating to us, our related companies or shareholders, government regulations and changes thereof applicable to the industries in which we operate and general economic, social and political conditions nationally or internationally could cause the price of the Bonds to change. For example, the instability and unrest in Hong Kong in recent periods may recur or further escalate, which could result in material adverse changes in the market conditions of Hong Kong and in turn could affect the liquidity and price of the Bonds. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Reciprocal Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the government of Hong Kong Special Administrative Region (the "**HKSAR**") signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Reciprocal Arrangement**"). The New Reciprocal Arrangement extends the scope of judicial assistance, and the effective date shall be announced by SPC and HKSAR after SPC issued the judicial interpretation and HKSAR completed relevant procedures. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Arrangement or, when in force, the New Reciprocal Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate legal proceedings in respect of any claim outside of Hong Kong will be limited.

We have experienced downgrades on our credit ratings and we cannot assure you that we will not experience further downgrades on credit ratings in the future.

In September 2017, S&P downgraded the Company's corporate rating from "BBB-" to "BB, outlook negative". In the same month, Moody's downgraded the Company's issuer rating from "Baa3" to "Ba1", outlook negative" and the senior unsecured ratings for the 2014 Guaranteed Bonds from "Ba1" to "Ba3". In October 2017, Fitch placed the Company's "BBB" Long-Term Foreign-Currency Issuer Default Rating (IDR), its senior unsecured rating and the rating of its outstanding US dollar senior notes on Rating Watch Negative list. In January 2018, Fitch further downgraded such ratings from "BBB" to "BB+, outlook negative". The downgrades on our ratings were mainly due to the rating agencies' concerns over our offshore liquidity position. We cannot assure you that we will not experience further downgrades on our ratings. S&P, Moody's and Fitch revised the outlooks of our Company from negative to stable on 29 May, 4 June and 8 June 2018, respectively, after the Company's offshore liquidity situation had improved considerably following the repayment of its US dollar syndication loan. The ratings of our Company represent the rating agencies' forward-looking opinion about the Company's overall creditworthiness. A reduction or withdrawal of the ratings may adversely affect the market perception of our Company, and in turn affect the market prices of the Bonds and our ability to access the debt capital markets.

The insolvency laws of the British Virgin Islands and Hong Kong and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Subsidiary Guarantors are incorporated under the laws of the British Virgin Islands and Hong Kong, any insolvency proceeding relating to the Issuer or the Subsidiary Guarantors would likely involve British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Exchange rate risks and exchange controls may result in a Bondholder receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Bonds in US dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the US dollar would decrease: (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Bondholder may receive less interest or principal than expected, or no interest or principal.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving of notice to the Issuer pursuant to Condition 9 and taking enforcement steps pursuant to Condition 13, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) or the Terms and Conditions of the Bonds and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

Risks relating to the Issuer, Wanda HK and the other Subsidiary Guarantors

The Issuer, Wanda HK and other Subsidiary Guarantors are our wholly-owned subsidiaries, have limited operations, revenue and/or assets of their own, and we cannot assure you that the Issuer, Wanda HK or the other Subsidiary Guarantors will have the funds necessary to meet their respective obligations under the Bonds and the Guarantee without payments from us and our subsidiaries.

The Issuer is our wholly-owned subsidiary with no business operations other than issuing the 2019 (December) Guaranteed Bonds, the 2020 (January) Guaranteed Bonds, the Bonds and engaging in related transactions and future issuances of debt securities in accordance with the Terms and Conditions of the Bonds. The proceeds from the issuance of the Bonds will be used by the Issuer to provide financing to us for the uses described in "*Use of Proceeds*" elsewhere in this Offering Circular and not for the Issuer's own use. Bondholders' recourse to the Issuer is limited as the Issuer has only limited assets. The Issuer's ability to make payments on the Bonds is dependent directly on payments (in the form of capital injections, intercompany loans or otherwise) to the Issuer by us and certain of our subsidiaries, which will depend on a number of factors, some of which may be beyond our and their control. If we or any of our subsidiaries are unable to make timely payments to the Issuer, the Issuer will not have any other source of funds to meet its payment obligations under the Bonds.

Wanda HK and the other Subsidiary Guarantors, which are subsidiaries of Wanda HK, are holding companies outside of China. Wanda HK, through the other Subsidiary Guarantors, which are its directly or indirectly wholly-owned subsidiaries, holds an approximately 65% indirect equity interest in the Hong Kong Listco. See "*Description of Wanda HK – Acquisition and holding of the Hong Kong Listco.*" The operations, revenue and assets of Wanda HK and the other Subsidiary Guarantors, on a consolidated basis, are relatively limited as compared to the Company. Wanda HK and the other Subsidiary Guarantors will depend, to a significant extent, upon the receipt of dividends from their subsidiaries and associated companies and capital injections and loans from us to meet their overhead expenses, and to make payments with respect to their obligations, including their obligations under the Guarantee. The ability of subsidiaries and associated companies of Wanda HK and the other Subsidiary Guarantors to pay dividends to their shareholders is subject to the performance and profitability of such subsidiaries and associated companies, and to applicable laws and restrictions contained in debt instruments of such subsidiaries and associated companies, if any.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide the Guarantee either upon issuance of the Bonds or at any time thereafter. Therefore, almost all of our revenue and income (as shown in our consolidated financial information included elsewhere in this Offering Circular) are attributed to our PRC operating subsidiaries and any contribution from direct operations of Wanda HK and the other Subsidiary Guarantors are relatively insignificant.

CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness of the Company

The following table sets forth the Company's consolidated capitalisation and indebtedness at 31 December 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds. The following table should be read in conjunction with the Company's consolidated financial statements and related notes included in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted for the issue of the Bonds	
	(CNY in millions)	(US$ in millions)	(CNY in millions)	(US$ in millions)
Short-term interest-bearing borrowings				
Interest-bearing bank and other borrowings (amount due within one year)	892	137	892	137
Current portion of long-term borrowings	11,123	1,705	11,123	1,705
Bonds and notes	36,740	5,631	36,740	5,631
Total	48,755	7,473	48,755	7,473
Long-term interest-bearing borrowings				
Interest-bearing bank and other borrowings	88,207	13,518	88,207	13,518
Bonds and notes	36,753	5,633	36,753	5,633
Bonds to be issued(1)(2)	–	–	2,121	325
Total	124,960	19,151	127,081	19,476
Capital and reserves attributable to owners of the Company				
Share capital	4,527	694	4,527	694
Reserves	269,054	41,234	269,054	41,234
Equity attributable to owners of the Company	273,581	41,928	273,581	41,928
Non-controlling interests	3,126	479	3,126	479
Total Equity	276,707	42,407	276,707	42,407
Total Capitalisation(3)(4)	401,667	61,558	403,788	61,883

Notes:

(1) This amount has been translated into Renminbi for convenience purpose at a rate of US$1.00 to CNY6.5250.

(2) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses.

(3) Total capitalisation equals to long-term interest-bearing borrowings and total equity.

(4) Subsequent to 31 December 2020, we repaid in full the CNY5 billion of the first tranche of 2016 PRC non-guaranteed corporate bonds on 14 January 2021 and the CNY6 billion of the first tranche of 2016 PRC non-guaranteed medium-term notes on 29 March 2021, and issued the CNY1 billion of the first tranche of 2021 PRC non-guaranteed medium-term notes on 25 March 2021 and the CNY1 billion of the second tranche of 2021 PRC non-guaranteed medium-term notes on 9 April 2021. See "*Description of Material Indebtedness and Other Obligations.*"

Except as otherwise disclosed above and foregoing, there has been no material change in the consolidated capitalisation and indebtedness of the Company since 31 December 2020.

Capitalisation and indebtedness of Wanda HK

The following table sets forth Wanda HK's consolidated capitalisation and indebtedness at 31 December 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds. The following table should be read in conjunction with Wanda HK's consolidated financial statements and related notes included in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted for the issue of the Bonds	
	(CNY in thousands)	(US$ in thousands)	(CNY in thousands)	(US$ in thousands)
Short-term interest-bearing borrowings				
Loans from financial institutions (current portion of long-term borrowings)	261,492	40,075	261,492	40,075
Guaranteed bond	211,996	32,490	211,996	32,490
Total	473,488	72,565	473,488	72,565
Long-term interest-bearing borrowings				
Loans from financial institutions	515,000	78,927	515,000	78,927
Guaranteed bond	9,048,685	1,386,772	9,048,685	1,386,772
Bonds to be issued(1)(2)	–	–	2,120,625	325,000
Total	9,563,685	1,465,699	11,684,310	1,790,699
Capital and reserves attributable to owners of Wanda HK				
Issued capital	–	–	–	–
Accumulated losses	(4,166,815)	(638,592)	(4,166,815)	(638,592)
Other reserves	5,243,319	803,574	5,243,319	803,574
Equity attributable to owners of the Wanda HK	1,076,504	164,981	1,076,504	164,981
Non-controlling interests	1,045,183	160,181	1,045,183	160,181
Total Equity	2,121,687	325,163	2,121,687	325,163
Total Capitalisation(3)	11,685,372	1,790,862	13,805,997	2,115,862

Notes:

(1) This amount has been translated into Renminbi for convenience purpose at a rate of US$1.00 to CNY6.5250.

(2) Refers to the aggregate principal amount of the Bonds before deducting the commissions and estimated offering expenses.

(3) Total capitalisation equals to long-term interest-bearing borrowings and total equity.

Except as otherwise disclosed above and foregoing, there has been no material change in the consolidated capitalisation and indebtedness of Wanda HK since 31 December 2020.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be US$325 million. After deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, the net proceeds will be used for refinancing existing indebtedness of the Group and general corporate purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with (i) our audited consolidated financial statements as at and for each of the years ended 31 December 2019 and 2020 and the notes thereto, which are prepared in accordance with IFRS and included elsewhere in this Offering Circular and (ii) "Risk Factors" in this Offering Circular.

This section includes forward-looking statements. All statements, other than statements of historical facts, included in this section that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we have made in light of experience and our perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. See "Forward-Looking Statements."

Overview

We are a market leader in commercial property management and hotel operation with a strong market recognition of our brand name "Wanda" ("萬達"). Over the years, we have accumulated a wealth of project execution experience and strong management capabilities, which have led to the steady expansion of our commercial management business. We are

- the world's largest owner of commercial properties in terms of the total leasable floor area owned and managed by us, with 368 Wanda Plazas in operation and an aggregate GFA of approximately 52.8 million sq.m., including 36.1 million sq.m. of leasable floor area of shopping centres under our management as at 31 December 2020; and

- one of China's leading operators of luxury hotels in terms of the number of hotels operated in the PRC, operating 96 self-owned or third-party owned hotels as at 31 December 2020.

Our Wanda Plazas received approximately 3.8 billion, 4.3 billion and 3.6 billion guest visits for 2018, 2019 and 2020, which highlighted Wanda Plaza as a well-known brand with strong consumer recognition in China. Our rental collection rate has maintained at above 99.0% for 15 consecutive years from 2006 to 2020. We anticipate increasing rental income and management fees from management and operation of commercial properties.

As at the date of this Offering Circular, we conduct primarily the following businesses, namely:

(i) leasing and management of investment properties held by the Group for long-term investment or commercial properties owned by third parties;

(ii) operation of third-party owned and self-owned hotels; and

(iii) other business, primarily sale of yachts, management of properties sold, operation of the Group's research and design centres and institutes and other services.

During 2018 and 2019, we were also engaged in development and sale of properties, including commercial and residential properties. To implement our asset-light strategy, we decided to phase out our property development and sale business by transferring it outside of our Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had substantially completed the divestment of the entire business by the end of 2019. As a result, it was classified as discontinued operation in our consolidated financial statements for the relevant periods. We did not undertake any new asset-heavy property development project or conduct any sale of properties in 2020.

Our success is, to a large extent, attributable to our ability in business innovation which allows us to be proactive in responding to trends in the commercial property management, hotel operation and real estate markets. In light of the changing market conditions, we adopted an asset-light development strategy and have transformed ourselves from a property developer into an operator focusing on project execution and commercial management. Under this asset-light model, we introduce co-investors to collaborate on the development of Wanda Plazas. Depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land or, in certain cases, provide land, whereas we will be responsible for design, construction, leasing and operation of the relevant properties, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio.

As at 31 December 2020, we operated 98 Wanda Plazas developed under this asset-light model, including 19 Wanda Plazas developed as asset-light projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m., out of a total of 368 Wanda Plazas with an aggregate GFA of approximately 52.8 million sq.m. being operated by us.

In line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties. Through these strategic disposals, we expect to substantially reduce our leverage ratio and focus on, and generate stable and recurring income from, our commercial management and hotel operation business.

Significant factors affecting our results of operations

Our results of operations and financial condition have been, and will continue to be, directly and indirectly affected by a number of factors, many of which are beyond our control, including those factors discussed in the section entitled "*Risk Factors*". The key factors affecting our results of operations are set forth below.

General economic conditions, urbanisation and market cyclicality in China

Our business is heavily dependent on the continued economic growth, urbanisation and rising standards of living and the resultant demand for properties, in particular, commercial properties, in China. Economic growth and its concomitant urbanisation have had a significant impact on the PRC property markets, in particular, its commercial property sector, including the cities and regions where we operate, and have affected the supply of and demand for properties and property pricing trends. For example, properties in the first and second-tier cities of the PRC generally have a higher average rental rates compared with that of properties in the third and fourth-tier cities of the PRC. The oversupply of properties in some of the third and fourth-tier cities in China has also contributed to the lower average rental rates in such cities. The key macroeconomic factors in the PRC that we consider to be important to our operations include general economic development, growth of the private sector and government strategic planning. Economic condition has affected the general level of disposable income and the number of middle to upper-middle income households in the PRC. Changes in consumer spending power and confidence have also affected rental income from our investment properties and income from our hotels. We believe that these factors will continue to significantly impact our operations.

Moreover, the PRC property market has historically been cyclical. Periods of high economic growth are typically accompanied by higher rental rates when compared with the prior rental rates for a particular property. The opposite occurs during periods of lower economic growth or significant market disruptions. Rental rates on individual premises are usually locked in during the relevant lease terms and rental review periods, which may be different from the prevailing market rate for similar premises during the same periods until the relevant leases expire or until the next rental review.

The overall economic growth in the PRC and the rate of urbanisation will continue to be affected by a number of macroeconomic factors, including changes in the global economy as well as the macroeconomic, fiscal and monetary policies of the PRC government. It is difficult to determine the exact impact of any prolonged global economic slowdown on the economy and, accordingly, the property markets in the PRC. Any economic downturn in China generally or, in particular, in the regions where we operate could adversely affect our business, financial condition and results of operations.

Access to and cost of financing

Interest-bearing bank and other borrowings and bonds and notes are important sources of funding for our business operations. As at 31 December 2018, 2019 and 2020, our outstanding interest-bearing bank and other borrowings amounted to CNY101,676 million, CNY98,149 million and CNY100,222 million, respectively. Our outstanding bonds and notes amounted to CNY90,619 million, CNY83,388 million and CNY73,493 million, respectively, as at the same dates. For the years ended 31 December 2018, 2019 and 2020, our total interest expenses on bank loans, other loans and bonds and notes (including capitalisation of interest) were CNY8,388 million, CNY9,858 million and CNY9,709 million, respectively. The interest rates of our bank borrowings are generally floating with reference to the benchmark interest rate set by the PBOC or the loan prime rate released by the National Interbank Funding Centre, and any increase in such rates will increase our finance costs. See "*Risk Factors – Risks relating to our business – Our profitability and results of operations are affected by changes in interest rates*" for more details. Moreover, from time to time the PRC government has imposed restrictions on various business sectors. To the extent such PRC governmental policies, measures and restrictions affect the commercial property market, in particular, the commercial property management sector, and related sectors, including the retail and hotel sectors,, our access to capital and cost of financing may be adversely affected. As such, any increase in interest rates offered to us, together with the general reduced availability of credit, may significantly and adversely impact our business.

In addition, during the years ended 31 December 2018, 2019 and 2020, we obtained trust financing from various trust financing providers. As at 31 December 2018, 2019 and 2020, we had a total principal amount of approximately CNY1,059 million, CNY1,824 million and CNY1,002 million, respectively, of trust financing outstanding. Trust financing providers typically charge higher interest rates than those charged by commercial banks. The PRC government may implement more stringent measures to control the risks associated with loan growth, which may include more stringent review procedures that trust financing providers are required to adopt when considering applications for trust financing, and remedial actions that trust financing providers are required to take in the event of any non-compliance with applicable laws and regulations. Any such further measures that the PRC government may implement could limit the amount that trust financing providers can make available for ourselves and the PRC property industry as a whole.

Fair value of our investment properties

Property values are affected by, among other factors, supply of, and demand for, comparable properties, the rate of economic growth, interest rates, inflation, political and economic developments, construction costs and the timing of the development of properties. We state our investment properties at fair value on our consolidated statements of financial position as non-current assets as at each financial statements date based on the valuations prepared by DTZ Debenham Tie Leung Shenzhen Valuation Company Ltd., an independent property valuer, and record changes in fair value of investment properties in our consolidated statements of profit or loss. Property valuation involves the exercise of professional judgement and requires the use of certain bases and assumptions. The fair value of our investment properties may be higher or lower if the valuer uses a different set of bases and assumptions or if the valuation is conducted by another qualified independent professional valuer using the same, or a different, set of bases and assumptions.

Gains or losses arising from changes in the fair value of our investment properties may have a substantial effect on our profits. As at 31 December 2018, 2019 and 2020, the fair value of our investment properties amounted to CNY407,412 million, CNY432,119 million and CNY454,786 million, respectively. For the years ended 31 December 2018, 2019 and 2020, we recorded a net increase in fair value of investment properties of CNY15,603 million, CNY12,024 million and CNY6,386 million, respectively. The fair value of each of our investment properties has fluctuated, and is likely to continue to fluctuate, in accordance with the prevailing property market conditions.

Any decrease in the fair value of our investment properties will adversely affect our profitability. In addition, increases in the fair value of investment properties are unrealised and do not generate any cash inflow to us until such investment properties are disposed of at considerations similar to the valuations. We may therefore experience higher profitability through increases in the fair value of investment properties without a corresponding improvement to our liquidity position. We cannot assure you that levels of increases in the fair value of investment properties similar to those recognised for the years ended 31 December 2018, 2019 and 2020 can be sustained in the future.

Revenue mix

Our revenue and results of operations may vary from period to period depending on the type of the source of our income.

For the years ended 31 December 2018, 2019 and 2020, we derived our income primarily from investment property leasing and management and retained a significant portion of our properties as investment properties to generate rental income and enjoy the benefit of any appreciation in property value. For 2017, 2018 and 2019, the income from investment property leasing and management amounted to CNY30,007 million, CNY34,929 million and CNY35,764 million, respectively. We also generate significant revenue from our hotel operation and others. See "– *Description of selected components of consolidated statements of profit or loss – Revenue*" for more details. As a result, our results of operations, including, in particular, our gross margins, and the sources and amount of cash from operations, have varied and may continue to vary significantly from period to period depending on the mix of our revenues from investment property leasing and management, hotel operation and others. Our gross profit margin may improve with proportionally more revenue from investment property leasing and management, as our investment property leasing and management business generally has higher gross margins than our other business. We proactively and closely plan and manage the relative growth of our investment property leasing and management and hotel operation in order to achieve and maintain a desirable revenue mix from these three businesses.

Furthermore, our revenue and profitability are affected by the development and structure of China's economy. As major trends in China, the PRC government has been focused on the promotion of domestic consumer spending and the improvement of development prospects of the service industry.

Consequently, China's economic structure has experienced, and will continue to experience, changes and adjustments. These changes and adjustments may result in changes in the revenue mix and profitability of our business, which, in turn, could impact our results of operations.

Rental rates, daily room rates and occupancy trends

Our rental income depends principally on our rental rates and occupancy rates. Factors affecting our rental rates include the supply of comparable properties, the overall demand in the market, the floor area occupied by individual tenants, the trade sectors in which tenants operate, general macroeconomic conditions (including inflation rates) and occupancy rates. In addition, occupancy rates largely depend on rental rates at competing properties, the supply of, and demand for, comparable properties and the ability to minimise the intervals between lease expiries (or terminations) and the entry into new leases. In addition, occupancy rates of a new property tend to be lower during the initial ramp-up and subsequent renovation period.

Lease terms of anchor and sub-anchor tenants in our principal investment properties generally range from 10 to 15 years, while the lease terms of other tenants generally range from three to eight years. Subject to our consideration of a variety of factors, including the brand name and preference of our tenants, the nature and profitability of their business and their business relationships with us, we typically use the following rental pricing methods: (i) fixed rates during a predetermined period with an increase in rental by a certain number of percentage points annually thereafter for the remaining lease terms; (ii) rental rates calculated based on a predetermined percentage of the retail gross income of the tenants; and (iii) rental rates calculated using the rental pricing method set out in (i) above or the rent pricing method set out in (ii) above, whichever is higher. Our ability to lease expiring space and the terms we achieve has an impact on our results of operations.

The daily room rates of our hotels are influenced by daily room rates charged by our competitors, the supply of hotel rooms in the market, the attractiveness of our hotels' locations, the breadth and quality of services provided, hotel industry trends, seasonality and general economic conditions. A shortage of rooms in the market will often have the effect of increasing achievable daily room rates as hotels increase their rates in response to demand, whereas an oversupply of rooms will often have the opposite effect. The occupancy rates of our hotels will be, in part, determined by the level of our daily room rates and our ability to minimise the period of time between customers during which rooms are unoccupied.

Critical accounting policies and estimates

The preparation of the consolidated financial statements of the Group requires selecting accounting policies and making judgements and estimates that affect items reported in the consolidated financial statements. The determination of these accounting policies and the making of these judgements and estimates are fundamental to our results of operations and financial condition and require our management to make subjective and complex judgements about matters that are inherently uncertain, based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgements as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows. We also have other policies and make other judgements and estimates that we consider to be key accounting policies, judgements and estimates, which are set forth in detail in notes 2 and 3 to our audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 included elsewhere in this Offering Circular.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.Revenue from the sale of properties in the ordinary course of business is recognised when the control of properties is transferred to customers.

(a) Property management fee

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

(b) Hotel management services

Hotel management services mainly include the following:

The day-to-day management services, and the different kinds of management service fees are generally calculated as certain percentages of the total revenues, room revenue or operation profit of those hotels under management. Such management service fees are due and payable on a monthly basis as services are provided and revenue is recognised over time as services are rendered.

Central reservation system usage fees, other system maintenance and other support fees are typically billed and collected monthly along with the base management service fees mentioned above, and revenue is generally recognised as services are provided.

Pre-opening services, which include providing services (e.g., installing IT information systems, providing standardisation hotel management system and central reservation system, providing access to purchase platform, helping to obtain operational qualification, and helping to recruit and train employees) to the hotel owners to assist in preparing for the hotel opening. These fees are typically collected upfront and are recognised as revenue over the whole management contract period.

(c) Hotel design and construction management services

Revenue is recognised in the accounting period in which the services are rendered because the customer simultaneously receives and consumes the benefits provided by us.

(d) Hotel operation income

Revenue from room sales and other ancillary guest services is recognised over time on a daily basis, and revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to customers.

(e) Loyalty program management service fee

Revenue from the loyalty program management service fee is generated from the services provided in relation to the loyalty program. The program reward members with points for each stay at the hotels or certain other consumption at the hotels, which are then redeemable for free hotel nights and other goods and services. We defer the cash amount received from participating hotels as the future redemption obligation, and such points that will eventually be redeemed as revenue when they are used or on the expiry date.

Revenue from other sources

Rental income derived from the lease of the our properties is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Investment properties comprise completed investment properties and investment properties under construction. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by us as an owner-occupied property becomes an investment property, we account for such property in accordance with our accounting policy for property, plant and equipment and depreciation for owned property and/or account for such property in accordance with our accounting policy for right-of-use assets for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale" as set out in note 2.4 to our consolidated financial statements as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognise such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The main property, plant and equipment's estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Buildings	35-40 years	5%
Machinery	10 years	5%
Motor vehicles	5 years	5%
Electronic equipment	5 years	5%
Others	5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment, including any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents construction work in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing cost on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, dividend payables and bonds and notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as further explained in the accounting policy for "Financial liabilities" as set out in note 2.4 to our consolidated financial statements as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income tax

Income tax comprises current tax and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as further explained in the accounting policy for "Investments and other financial assets" as set out in note 2.4 to our consolidated financial statements as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular.

Estimation uncertainty

Fair value of investment properties

The investment properties are measured at fair value. The fair value 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 similar properties in the same locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires us to estimate reversionary potential of the properties, while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

Description of selected components of consolidated statements of profit or loss

Continuing operations

Revenue

Our revenue comprises (i) revenue from investment property leasing and management, (ii) revenue from hotel operation and (iii) others. The following table sets out a breakdown of our revenue for the years indicated:

	For the year ended 31 December					
	2018		2019		2020	
	(CNY million)	(%)	(CNY million)	(%)	(CNY million)	(%)
Revenue						
Investment property leasing and management	30,007	87.1	34,929	87.8	35,764	92.3
Hotel operation	1,466	4.3	1,475	3.7	1,082	2.8
Others	2,974	8.6	3,365	8.5	1,893	4.9
Total	34,447	100.0	39,769	100.0	38,739	100.0

Investment property leasing and management

Revenue from investment property leasing and management is primarily generated as rental income from the shopping centres, retail properties and offices and management fees from management of such properties. For the years ended 31 December 2018, 2019 and 2020, our revenue from investment property leasing and management was CNY30,007 million, CNY34,929 million and CNY35,764 million, respectively. Our results of operations from investment property leasing and management are primarily dependent upon the total amount of our leasable GFA and the rent levels for our investment properties.

Hotel operation

Revenue from hotel operation is primarily generated from hotel rooms, food and beverage businesses and ancillary services. For the years ended 31 December 2018, 2019 and 2020, our revenue from hotel operation was CNY1,466 million, CNY1,475 million and CNY1,082 million, respectively.

Others

Revenue of this segment comprises primarily income from yacht sales, management of properties sold, operation of research and design centres and institutions and other services.

Cost of sales

Our cost of sales comprises (i) cost of investment property leasing and management, (ii) cost of hotel operation and (iii) others. The following table sets out a breakdown of our cost of sales for the years indicated:

	For the year ended 31 December					
	2018		2019		2020	
	(CNY million)	(%)	(CNY million)	(%)	(CNY million)	(%)
Cost of sales						
Cost of investment property leasing and management	8,919	72.6	11,028	75.0	11,109	82.6
Cost of hotel operation	795	6.5	840	5.7	702	5.2
Others	2,567	20.9	2,841	19.3	1,642	12.2
Total	12,281	100.0	14,709	100.0	13,453	100.0

Cost of investment property leasing and management

Our cost of investment property leasing and management primarily includes property maintenance costs, salaries for employees in our investment property leasing and management business and real estate taxes paid on the relevant investment properties.

Cost of hotel operation

Our cost of hotel operation primarily comprises depreciation of hotels we operate, hotel maintenance costs, salaries for employees in our hotel operation and other miscellaneous expenses.

Others

Cost of sales of this segment primarily comprises the direct costs arising from the generation of income of this segment.

Other income and gains

Other income and gains primarily include government grants, bank interest income, gain on entrusted loan, gain on financial products, foreign exchange gain, net, and others.

Increase in fair value of investment properties, net

For the years ended 31 December 2018, 2019 and 2020, we recorded a net increase in fair value of investment properties of CNY15,603 million, CNY12,024 million and CNY6,386 million, respectively.

Substantially all of our investment properties are situated in the PRC. The fair value of each of our investment properties is primarily affected by supply of, and demand for, comparable properties, the rate of economic growth, interest rates, inflation and political and economic developments in the areas where the investment properties are located. In addition, the fair value of each of our investment properties under development is also affected by construction costs and the schedule of the development of properties.

Selling and distribution expenses

Selling and distribution costs primarily include advertising and promotional expenses, salary of our sales staff, depreciation and amortisation, general office expenses and other costs relating to our sales and marketing activities. Our selling and distribution expenses in any period may be affected by the number of newly introduced property projects in that period.

Administrative expenses

Administrative expenses primarily include salary of administrative personnel, depreciation and amortisation, general office expenses, other tax expenses (including property tax derived from the properties which are not investment properties and stamp duty), auditing and consulting expenses, business entertainment expenses, travel expenses, legal expenses and other expenses relating to our administrative activities.

Other expenses

Other expenses primarily include loss on disposal of subsidiaries, assets impairment loss, non-operating expenses, foreign exchange loss, net and other expenses.

Finance costs

Finance costs primarily include interest on bank loans, other loans and bonds and notes (net of interest capitalised) and interest on lease liabilities (including interest on finance leases).

The following table sets out an analysis of finance costs for the years indicated:

	For the year ended 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Interest on bank loans, other loans and bonds and notes	8,388	9,858	9,709
Interest on lease liabilities	–	354	566
Interest on finance leases	189	–	–
Total interest expense	8,577	10,212	10,275
Less: Interest capitalised	(519)	(195)	(117)
Total	8,058	10,017	10,158

Share of profits and losses of joint ventures

This line item represents our share of profits or losses of our material joint ventures. Our recognition of losses is limited to our interest in such joint ventures.

Income tax expense

Our income tax expense primarily comprises current corporate income tax and LAT in the PRC as well as deferred tax. Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, with certain exceptions. Our effective tax rate for continuing operations was 28.3%, 25.6% and 27.4% for the years ended 31 December 2018, 2019 and 2020, respectively. Effective tax rates for continuing operations are derived by dividing total tax charge from continuing operations for the relevant period by profit before tax from continuing operations for that period.

Corporate income tax

The provision for corporate income tax in the PRC for the years ended 31 December 2018, 2019 and 2020 was primarily based on the applicable rate of 25%, except for some of our PRC subsidiaries which enjoyed preferential corporate income tax rates or were entitled to exemption from corporate income tax as approved by the relevant tax authorities in the PRC or qualified for certain exceptions under applicable laws and regulations of the PRC. Taxes on profits assessable in Hong Kong have been calculated at the rates of 16.5%.

LAT

Under PRC laws and regulations, we are subject to LAT at the progressive rates in a range of 30% to 60% of the appreciation in land value arising from the sale or transfer of land use rights and buildings and their attached facilities, which is measured as the proceeds from the sales of properties less deductible expenditures, including land costs, borrowing costs and other property development expenditures as provided in the relevant tax laws. The LAT provision is subject to final review and approval by the local authorities in the area where each property is located. Certain exemptions are available for the sale of ordinary residential properties, as defined by the local authorities, if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties such as high-class apartment, villas and holiday resorts are not eligible for such exemptions. When calculating the LAT potentially payable, we measure our deductible expenditures according to our future costs, and we prepay LAT based on our best estimate according to the prevailing tax laws and regulations and pursuant to the applicable LAT rates in respect of our different projects. Because the local tax authorities may exercise discretion in determining the basis of calculation for LAT, they may disagree that our provisions are sufficient to cover all actual LAT obligations as at each balance sheet date in respect of our past LAT liabilities. We made a LAT provision of CNY5,927 million and CNY3,796 million for the years ended 31 December 2018 and 2019, respectively, and recorded a reversal of LAT of CNY138 million for the year ended 31 December 2020.

Discontinued operations

We disposed of some subsidiaries during the years ended 31 December 2018, 2019 and 2020. Such disposed subsidiaries were classified as discontinued operations. For further information, see note 11 to our audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020 included elsewhere in this Offering Circular.

To implement our asset-light strategy, we decided to phase out our property development and sale business by transferring it outside of our Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had substantially completed the divestment of the entire business by the end of 2019. Therefore, such property development and sale business was classified as discontinued operations.

Discussion of results of operations

You should read the selected historical financial information set forth below in conjunction with our consolidated financial statements, together with the accompanying notes, included elsewhere in this Offering Circular.

	For the year ended 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Continuing operations			
Revenue	34,447	39,769	38,739
Cost of sales	(12,281)	(14,709)	(13,453)
Gross profit	22,166	25,060	25,286
Other income and gains	2,383	3,832	3,848
Increase in fair value of investment properties, net	15,603	12,024	6,386
Selling and distribution expenses	(911)	(1,195)	(2,060)
Administrative expenses	(2,979)	(3,958)	(4,264)
Other expenses	(1,285)	(620)	(778)
Finance costs	(8,058)	(10,017)	(10,158)
Share of profits and losses of joint ventures	(68)	(184)	(54)
Profit before tax from continuing operations	26,851	24,942	18,206
Income tax expense	(7,600)	(6,395)	(4,984)
Profit for the year from continuing operations	19,251	18,547	13,222
Discontinued operations			
Profit for the year from discontinued operations	12,415	6,573	807
Profit for the year	31,666	25,120	14,029
Attributable to:			
Owners of the parent	29,367	24,423	13,721
Non-controlling interests	2,299	697	308
	31,666	25,120	14,029

Years ended 31 December 2020 and 2019

<u>Continuing operations</u>

Revenue

Our revenue decreased by CNY1,030 million, or 2.6%, to CNY38,739 million for the year ended 31 December 2020 from CNY39,769 million for the year ended 31 December 2019, primarily due to a decrease in revenue from the "others" segment.

Our revenue from investment property leasing and management increased by CNY835 million, or 2.4%, to CNY35,764 million for the year ended 31 December 2020 from CNY34,929 million for the year ended 31 December 2019, primarily due to: (i) an increase in the leasable space as 45 Wanda Plazas commenced operation during the year ended 31 December 2020; (ii) the high occupancy rate of our investment properties which has generally remained stable; and (iii) an increase in the rental levels for our shopping centres that have entered maturity stage; and (iv) an increase in fees from management and operation of an increased number of commercial properties, partially offset by the effect of the rent concessions and waiver of property management fees we provided to tenants of our Wanda Plazas for the period from 25 January 2020 to 29 February 2020.

Our revenue from hotel operation decreased by CNY393 million, or 26.6%, to CNY1,082 million for the year ended 31 December 2020 from CNY1,475 million for the year ended 31 December 2019, primarily due to a decrease in the average occupancy rate of the hotels we operated in the first half of 2020 as a result of the COVID-19 pandemic.

Our revenue from the "others" segment decreased by CNY1,472 million, or 43.7%, to CNY1,893 million for the year ended 31 December 2020 from CNY3,365 million for the year ended 31 December 2019, primarily due to a decrease in revenue from sale of yachts.

Cost of sales

Our cost of sales decreased by CNY1,256 million, or 8.5%, to CNY13,453 million for the year ended 31 December 2020 from CNY14,709 million for the year ended 31 December 2019, primarily due to a decrease in cost of sales for the "others" segment.

Our cost of investment property leasing and management increased by CNY81 million, or 0.7%, to CNY11,109 million for the year ended 31 December 2020 from CNY11,028 million for the year ended 31 December 2019, primarily due to the expansion of completed investment property portfolio owned and/or managed by us to include 45 Wanda Plazas that commenced operation during the year ended 31 December 2020, partially offset by an improvement of our operational efficiency and cost control, which mainly resulted from an increase in the share of Wanda Plazas completed under our asset-light model.

Our cost of hotel operation decreased by CNY138 million, or 16.4%, to CNY702 million for the year ended 31 December 2020 from CNY840 million for the year ended 31 December 2019, primarily due to a decrease in the average occupancy rate of the hotels we operated in the first half of 2020 as a result of the COVID-19 pandemic and an increase in our cost as a result of the enhanced hygiene and other measures we implemented in our hotels in response to the COVID-19 pandemic.

Our cost of sales for the "others" segment decreased by CNY1,199 million, or 42.2%, to CNY1,642 million for the year ended 31 December 2020 from CNY2.841 million for the year ended 31 December 2019, primarily due to a decrease in cost of sales from sale of yachts.

Gross profit

As a result of the foregoing, our gross profit increased by CNY226 million, or 0.9%, to CNY25,286 million for the year ended 31 December 2020 from CNY25,060 million for the year ended 31 December 2019. Our gross profit margin also increased to 65.3% for the year ended 31 December 2020 from 63.0% for the year ended 31 December 2019.

Other income and gains

Our other income and gains remained relatively stable at CNY3,848 million for the year ended 31 December 2020 and CNY3,832 million for the year ended 31 December 2019.

Increase in fair value of investment properties, net

Our net increase in fair value of investment properties decreased by CNY5,638 million, or 46.9%, to CNY6,386 million for the year ended 31 December 2020 from CNY12,024 million for the year ended 31 December 2019, primarily due to the negative impact of COVID-19 pandemic on the PRC's commercial property market.

Selling and distribution expenses

Our selling and distribution expenses increased by CNY865 million, or 72.4%, to CNY2,060 million for the year ended 31 December 2020 from CNY1,195 million for the year ended 31 December 2019, primarily due to an increase in advertising and promotional expenses.

Administrative expenses

Our administrative expenses increased by CNY306 million, or 7.7%, to CNY4,264 million for the year ended 31 December 2020 from CNY3,958 million for the year ended 31 December 2019, primarily due to an increase in salaries and allowances.

Other expenses

Our other expenses increased by CNY158 million, or 25.5%, to CNY778 million for the year ended 31 December 2020 from CNY620 million for the year ended 31 December 2019, primarily due to increases in impairment of long-term receivables and impairment of other receivables.

Finance costs

Our finance costs remained relatively stable at CNY10,158 million for the year ended 31 December 2020 and CNY10,017 million for the year ended 31 December 2019.

Share of profits and losses of joint ventures

Our share of losses of joint ventures amounted to CNY54 million for the year ended 31 December 2020, while our share of losses of joint ventures amounted to CNY184 million for the year ended 31 December 2019.

Income tax expense

Our income tax expenses decreased by CNY1,411 million, or 22.1%, to CNY4,984 million for the year ended 31 December 2020 from CNY6,395 million for the year ended 31 December 2019, primarily due to a decrease in our profit as a result of the rent concessions and waiver of property management fees we provided to tenants of our Wanda Plazas for the period from 25 January 2020 to 29 February 2020 and a decrease in our net increase in fair value of investment properties.

Profit for the year from continuing operations

As a result of the foregoing, our profit for the year from continuing operations decreased by CNY5,325 million, or 28.7%, to CNY13,222 million for the year ended 31 December 2020 from CNY18,547 million for the year ended 31 December 2019.

Discontinued operations

Profit for the year from discontinued operations

Our profit for the year from discontinued operations decreased by CNY5,766 million, or 87.7%, to CNY807 million for the year ended 31 December 2020 from CNY6,573 million for the year ended 31 December 2019, primarily because we substantially completed the divestment of the entire property development and sale business by the end of 2019.

Profit for the year

As a result of the foregoing, our profit for the year decreased by CNY11,091 million, or 44.2%, to CNY14,029 million for the year ended 31 December 2020 from CNY25,120 million for the year ended 31 December 2019. Our net profit margin decreased to 36.2% for the year ended 31 December 2020 from 63.2% for the year ended 31 December 2019.

Years ended 31 December 2019 and 2018

<u>Continuing operations</u>

Revenue

Our revenue increased by CNY5,322 million, or 15.4%, to CNY39,769 million for the year ended 31 December 2019 from CNY34,447 million for the year ended 31 December 2018, primarily due to an increase in revenue from investment property leasing and management.

Our revenue from investment property leasing and management increased by CNY4,922 million, or 16.4%, to CNY34,929 million for the year ended 31 December 2019 from CNY30,007 million for the year ended 31 December 2018, primarily due to: (i) an increase in the leasable GFA of our investment properties as a result of the expansion of our completed investment property portfolio, mainly attributable to the 43 Wanda Plazas opened for the year ended 31 December 2019; (ii) the high occupancy rate of our investment properties which has remained stable; (iii) an increase in the rental levels for our shopping centres that have entered maturity stage; and (iv) an increase in fees from management and operation of an increased number of commercial properties.

Our revenue from hotel operation increased by CNY9 million, or 0.6%, to CNY1,475 million for the year ended 31 December 2019 from CNY1,466 million for the year ended 31 December 2018, primarily due to an expansion in the portfolio of hotels we operated and the commencement of operations of new hotels in 2019.

Our revenue from the "others" segment increased by CNY391 million, or 13.1%, to CNY3,365 million for the year ended 31 December 2019 from CNY2,974 million for the year ended 31 December 2018, primarily due to an increase in the revenue from sale of yachts.

Cost of sales

Our cost of sales increased by CNY2,428 million, or 19.8%, to CNY14,709 million for the year ended 31 December 2019 from CNY12,281 million for the year ended 31 December 2018, primarily due to an increase in cost of investment property leasing and management.

Our cost of investment property leasing and management increased by CNY2,109 million, or 23.6%, to CNY11,028 million for the year ended 31 December 2019 from CNY8,919 million for the year ended 31 December 2018, primarily due to the expansion of completed investment property portfolio owned and/or managed by us to include 45 Wanda Plazas that commenced operation during the year ended 31 December 2020.

Our cost of hotel operation increased by CNY45 million, or 5.7%, to CNY840 million for the year ended 31 December 2019 from CNY795 million for the year ended 31 December 2018, primarily due to an expansion in the portfolio of hotels we operated and the commencement of operations of new hotels in 2019.

Our cost of sales for the "others" segment increased by CNY274 million, or 10.7%, to CNY2,841 million for the year ended 31 December 2019 from CNY2,567 million for the year ended 31 December 2018, primarily due to an increase in cost of sales from sale of yachts.

Gross profit

As a result of the foregoing, our gross profit increased by CNY2,894 million, or 13.1%, to CNY25,060 million for the year ended 31 December 2019 from CNY22,166 million for the year ended 31 December 2018. Our gross profit margin, however, decreased to 63.0% for the year ended 31 December 2019 from 64.3% for the year ended 31 December 2018.

Other income and gains

Our other income and gains increased by CNY1,449 million, or 60.8%, to CNY3,832 million for the year ended 31 December 2019 from CNY2,383 million for the year ended 31 December 2018, primarily due to increases in the gain on financial products and other gains.

Increase in fair value of investment properties, net

Our net increase in fair value of investment properties decreased by CNY3,579 million, or 22.9%, to CNY12,024 million for the year ended 31 December 2019 from CNY15,603 million for the year ended 31 December 2018, primarily due to the increase in the fair value of our investment properties located in less developed PRC cities as a proportion of the total fair value of our investment properties portfolio, as investment properties located in less developed PRC cities generally appreciate less in fair value than investment properties located in more developed cities. In addition, in line with our asset-light strategy, fewer commercial properties were completed under the traditional heavy-asset model and retained by us as investment properties in 2019.

Selling and distribution expenses

Our selling and distribution expenses increased by CNY284 million, or 31.2%, to CNY1,195 million for the year ended 31 December 2019 from CNY911 million for the year ended 31 December 2018, primarily due to increases in advertising and promotional expenses and consulting expenses.

Administrative expenses

Our administrative expenses increased by CNY979 million, or 32.9%, to CNY3,958 million for the year ended 31 December 2019 from CNY2,979 million for the year ended 31 December 2018, primarily due to increases in salaries and allowances, salary of administrative personnel, general office expenses, depreciation and amortisation, auditor consulting expenses and other expenses.

Other expenses

Our other expenses decreased by CNY665 million, or 51.8%, to CNY620 million for the year ended 31 December 2019 from CNY1,285 million for the year ended 31 December 2018, primarily due to decreases in foreign exchange loss, net and impairment of goodwill.

Finance costs

Our finance costs increased by CNY1,959 million, or 24.3%, to CNY10,017 million for the year ended 31 December 2019 from CNY8,058 million for the year ended 31 December 2018, primarily due to an increase in the amount of interest on bank loans, other loans and bonds and notes.

Share of profits and losses of joint ventures

Our share of losses of joint ventures amounted to CNY184 million for the year ended 31 December 2019, while our share of losses of joint ventures amounted to CNY68 million for the year ended 31 December 2018.

Income tax expense

Our income tax expenses decreased by CNY1,205 million, or 15.9%, to CNY6,395 million for the year ended 31 December 2019 from CNY7,600 million for the year ended 31 December 2018, primarily due to our disposal of certain subsidiaries in 2018.

Profit for the year from continuing operations

As a result of the foregoing, our profit for the year from continuing operations decreased by CNY704 million, or 3.7%, to CNY18,547 million for the year ended 31 December 2019 from CNY19,251 million for the year ended 31 December 2018.

Discontinued operations

Profit for the year from discontinued operations

Our profit for the year from discontinued operations decreased by CNY5,842 million, or 47.1%, to CNY6,573 million for the year ended 31 December 2019 from CNY12,415 million for the year ended 31 December 2018, primarily due to a decrease in saleable property development projects as a result of our efforts to phase out our property development and sale business.

Profit for the year

As a result of the foregoing, our profit for the year decreased by CNY6,546 million, or 20.7%, to CNY25,120 million for the year ended 31 December 2019 from CNY31,666 million for the year ended 31 December 2018. Our net profit margin decreased to 63.2% for the year ended 31 December 2019 from 91.9% for the year ended 31 December 2018.

Liquidity and capital resources

Net current assets/liabilities

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Current assets			
Inventories	47,211	454	579
Prepaid taxes	6,548	167	112
Trade and bills receivables	810	695	748
Contract assets	–	13	19
Contract incremental costs	231	–	–
Prepayments, other receivables and other assets	10,899	11,869	6,945
Financial assets at fair value through profit or loss	8,630	7,000	6,000
Other current assets	23,100	31,740	33,840
Restricted cash	5,917	982	838
Cash and cash equivalents	77,362	64,761	40,648
	180,708	117,681	89,729
Assets of disposal groups classified as held for sale	3,289	12,736	179
Total current assets	183,997	130,417	89,908
Current liabilities			
Trade and bills payables	34,695	16,344	11,780
Other payables and accruals	79,074	30,657	28,596
Interest-bearing bank and other borrowings	10,793	7,942	12,015
Deferred income	117	–	–
Lease liabilities	–	188	174
Dividend payables	35	46	–
Tax payable	4,217	2,891	893
Bonds and notes	11,986	39,845	36,740
	140,917	97,913	90,198
Liabilities directly associated with the assets classified as held for sale	–	6,230	–
Total current liabilities	140,917	104,143	90,198
Net current assets/(liabilities)	43,080	26,274	(290)

As at 31 December 2020, our net current liabilities amounted to CNY290 million, while our net current assets amounted to CNY26,274 million as at 31 December 2019.

Our current assets amounted to CNY89,908 million as at 31 December 2020, or decreased by CNY40,509 million, as compared with current assets of CNY130,417 million as at 31 December 2019, primarily due to: (i) a decrease in cash and cash equivalents of CNY24,113 million; (ii) a decrease in assets of a disposal group classified as held for sale of CNY12,557 million; and (iii) a decrease in prepayments, deposits and other receivables of CNY4,924 million; partially offset by an increase in other current assets of CNY2,100 million. The disposal group classified as held for sale primarily includes subsidiaries that were to be disposed of within a financial year or period pursuant to the relevant transfer or purchase agreements or subsidiaries the sale of which was highly probable. For example, the disposal group held for sale as at 31 December 2020 included Zhangzhou Wanfu Hotel Management Co., Ltd.

- Cash and cash equivalents decreased primarily due to: (i) net cash of CNY8,773 million used in investing activities, primarily due to payment for additions to investment properties and purchase of financial products; and (ii) net cash of CNY31,984 million used in financing activities, primarily due to our repayment of bonds and notes, bank loans, payment of interest, bank charges and dividends, capital reduction of non-controlling shareholders and acquisition of non-controlling interests.

- Assets of a disposal group classified as held for sale decreased primarily because, in 2020, we completed the disposals of Changchun Wanfu Hotel Management Co., Ltd., Xi'an Gaoxin Wanda Plaza Co., Ltd. and Parcel C LLC, which were classified as disposal companies/group held for sale in 2019.

- Prepayments, deposits and other receivables decreased primarily because we received certain consideration from Wanda Properties for our transfer of equity interest in certain subsidiaries to it, and transferred certain receivables to Wanda Group.

- Other current assets increased primarily because certain entrusted loans we made to third parties were repaid and we purchased more financial products.

Our current liabilities amounted to CNY90,198 million as at 31 December 2020, or decreased by CNY13,945 million, as compared with current liabilities of CNY104,143 million as at 31 December 2019, primarily due to: (i) a decrease in liabilities directly associated with the assets classified as held for sale of CNY6,230 million; (ii) a decrease in trade and bills payables of CNY4,564 million; (iii) a decrease in bonds and notes of CNY3,105 million; (iv) a decrease in other payables and accruals of CNY2,061 million; and (v) a decrease in tax payable of CNY1,998 million; partially offset by an increase in interest-bearing bank and other borrowings of CNY4,073 million.

- Liabilities directly associated with the assets classified as held for sale decreased primarily because, in 2020, we completed the disposals of Changchun Wanfu Hotel Management Co., Ltd. and Parcel C LLC, which were classified as disposal companies/group held for sale in 2019.

- Trade and bills payables decreased primarily due to the settlement of payables for historical construction projects.

- Bonds and notes decreased primarily because fewer bonds and notes became due within one year as at 31 December 2020, as compared to as at 31 December 2019.

- Other payables and accruals decreased primarily due to a decrease in advance from customers because (i) we provided rent concessions to all our tenants and waived their property management fees for the period from 25 January 2020 to 29 February 2020 and (ii) we further deferred payments of rents and property management fees by some tenants that were experiencing financial difficulties and deferred payments for some of them to as late as the end of 2020.

- Tax payable decreased primarily due to the effects of (i) the rent concessions and waiver of property management fees we provided to tenants of our Wanda Plazas for the period from 25 January 2020 to 29 February 2020 and (ii) the divestment of our property development and sale business.

- Interest-bearing bank and other borrowings increased primarily due to an increase in short-term borrowings, and more long-term borrowings became due within one year as at 31 December 2020, as compared to as at 31 December 2019.

Cash flows

We fund our working capital requirements mainly through cash flow from operations and bank and other borrowings. As at 31 December 2018, 2019 and 2020, we had cash and cash equivalents, comprising bank balances and cash, CNY77,362 million, CNY64,761 million and CNY40,648 million, respectively, as stated in the consolidated statements of cash flows. These sources of funding, and our ability to fund our capital expenditure needs, could be adversely affected by any decrease in cash received from our leasing and management of investment properties or an inability to obtain funds from external sources on acceptable terms or in a timely manner.

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	For the year ended 31 December		
	2018	**2019**	**2020**
	(CNY in millions)	**(CNY in millions)**	**(CNY in millions)**
Summary Cash Flow Information			
Net cash flows from operating activities	29,301	17,176	13,206
Net cash flows used in investing activities	(27,320)	(1,436)	(8,773)
Net cash flows used in financing activities	(39,510)	(24,875)	(31,984)
Net decrease in cash and cash equivalents	(37,529)	(9,135)	(27,551)
Cash and cash equivalents at beginning of year	**114,945**	**77,362**	**68,297**
Effect of foreign exchange rate changes, net	(54)	70	(98)
Cash and cash equivalents at end of year	**77,362**	**68,297**	**40,648**

Net cash flows from operating activities

Our cash used in operating activities primarily comprises payments for purchases of goods and services and other operating activities. Our cash generated from operating activities primarily comprises income from leasing and management of commercial properties.

For the year ended 31 December 2020, our net cash flow generated from operating activities was CNY13,206 million, which was primarily the result of cash generated from operations of CNY16,209 million and interest received of CNY427 million, partially offset by corporate income tax and LAT paid of CNY3,430 million. Cash generated from operations primarily comprised: profit before tax (from continuing operations and discontinued operations) of CNY18,875 million, adjusted for the finance costs of CNY10,158 million and net increase in fair value of investment properties in the amount of CNY6,386 million, partially offset by a decrease in trade and bills payables in the amount of CNY4,283 million.

For the year ended 31 December 2019, our net cash flow generated from operating activities was CNY17,176 million, which was primarily the result of cash generated from operations of CNY25,141 million and interest received of CNY828 million, partially offset by corporate income tax and LAT paid of CNY8,793 million. Cash generated from operations primarily comprised: (i) profit before tax (from continuing operations and discontinued operations) of CNY37,577 million, adjusted for the net increase in fair value of investment properties in the amount of CNY12,024 million, finance costs of CNY10,843 million and the net gain on disposal of subsidiaries of CNY5,048 million; and (ii) a decrease in inventories in the amount of CNY23,720 million, partially offset by (x) a decrease in other payables and accruals of CNY19,515 million; and (y) a decrease in trade and bills payables in the amount of CNY10,969 million.

For the year ended 31 December 2018, our net cash flow generated from operating activities was CNY29,301 million, which was primarily the result of cash generated from operations of CNY38,728 million and interest received of CNY991 million, partially offset by corporate income tax and LAT paid of CNY10,418 million. Cash generated from operations primarily comprised: (i) profit before tax (from continuing operations and discontinued operations) of CNY50,132 million, adjusted for the net increase in fair value of investment properties in the amount of CNY15,603 million, finance costs of CNY9,546 million and net gain on disposal of subsidiaries of CNY3,361 million; and (ii) a decrease in inventories of CNY52,508 million, partially offset by (x) a decrease in other payables and accruals in the amount of CNY34,519 million; and (y) a decrease in trade and bills payables in the amount of CNY19,042 million.

Net cash flows used in investing activities

Cash used in our investing activities primarily reflects cash used for additions to investment properties, cash used in financial assets at fair value through profit or loss, cash used in other current assets and other non-current assets and cash used for investments in joint ventures. Cash generated from our investing activities primarily reflects proceeds from disposals of subsidiaries, net proceeds from financial assets at fair value through profit or loss, net proceeds from other current assets and other non-current assets and proceeds from disposal of assets of a disposal group classified as held for sale.

For the year ended 31 December 2020, our net cash flow used in investing activities was CNY8,773 million, primarily comprising: (i) payment for additions to investment properties in the amount of CNY12,660 million; and (ii) cash used in financial assets at fair value through profit or loss in the amount of CNY2,621 million, partially offset by (x) proceeds from disposal of subsidiaries in the amount of CNY4,117 million; and (y) net proceeds from other current assets and other non-current assets in the amount of CNY2,306 million.

For the year ended 31 December 2019, our net cash flow used in investing activities was CNY1,436 million, primarily comprising: payment for additions to investment properties in the amount of CNY7,672 million, partially offset by (x) net proceeds from other current assets and other non-current assets in the amount of CNY4,155 million; and (y) proceeds from disposal of assets of a disposal group classified as held for sale in the amount of CNY2,925 million.

For the year ended 31 December 2018, our net cash flow used in investing activities was CNY27,320 million, primarily comprising: (i) cash used in other current assets and other non-current assets in the amount of CNY16,377 million; (ii) payment for additions to investment properties in the amount of CNY11,748 million; and (iii) payment for investment in a joint venture in the amount of CNY2,346 million, partially offset by net proceeds from financial assets at fair value through profit or loss in the amount of CNY6,263 million.

Net cash flows used in financing activities

Cash used in our financing activities primarily reflects the repayment of bonds and notes, repayment of bank loans, interest and bank charges paid, dividends paid, capital reduction of non-controlling shareholders and acquisition of non-controlling interests. Cash generated from our financing activities primarily reflects the proceeds from new bank loans and net proceeds from issue of bonds and notes.

For the year ended 31 December 2020, our net cash flow used in financing activities was CNY31,984 million, primarily comprising: (i) repayment of bonds and notes in the amount of CNY39,832 million; (ii) repayment of bank loans in the amount of CNY17,256 million; (iii) interest and bank charges paid in the amount of CNY10,211 million; (iv) dividends paid in the amount of CNY4,800 million; (v) capital reduction of non-controlling shareholders in the amount of CNY4,192 million; and

(vi) acquisition of non-controlling interests in the amount of CNY3,643 million, partially offset by (x) net proceeds from issue of bonds and notes in the amount of CNY30,362 million, and (y) new bank loans in the amount of CNY19,548 million.

For the year ended 31 December 2019, our net cash flow used in financing activities was CNY24,875 million, primarily comprising: (i) repayment of bank loans in the amount of CNY18,838 million; (ii) repayment of bonds and notes in the amount of CNY12,247 million; (iii) interest and bank charges paid in the amount of CNY10,405 million; (iv) dividends paid in the amount of CNY4,743 million; (iv) acquisition of non-controlling interests in the amount of CNY2,609 million; and (v) capital reduction of non-controlling shareholders in the amount of CNY2,119 million, partially offset by (x) new bank loans in the amount of CNY24,522 million, and (y) net proceeds from issue of bonds and notes in the amount of CNY4,822 million.

For the year ended 31 December 2018, our net cash flow used in financing activities was CNY39,510 million, primarily comprising: (i) repayment of bank loans in the amount of CNY35,906 million; (ii) interest and bank charges paid in the amount of CNY10,785 million; (iii) dividends paid in the amount of CNY4,742 million; and (iv) repayment of bonds and notes in the amount of CNY4,133 million, partially offset by new bank loans in the amount of CNY19,272 million.

Indebtedness

Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings primarily comprise bank loans and other loans, including trust loans and entrusted loans from others.

We had interest-bearing bank and other borrowings of CNY101,676 million, CNY98,149 million and CNY100,222 million as at 31 December 2018, 2019 and 2020, respectively. For the years ended 31 December 2018, 2019 and 2020, the borrowed funds were primarily used to and general working capital and repay existing bank loans, other loans and bonds and notes. Subsequent to 31 December 2020, we have, from time to time, in the ordinary course of business, incurred additional loans and borrowings to refinance our existing indebtedness or for general working capital purposes. As at 31 December 2018, 2019 and 2020, our gearing ratio (calculated by dividing interest-bearing bank and other borrowings plus bonds and notes less cash and cash equivalents and restricted cash by total equity and multiplying the resulting value by 100%) was 41.2%, 41.8% and 47.8%, respectively.

Our bank and other borrowings bear interest at fixed rates and floating rates. The table below sets forth the effective interest rates of our bank and other borrowings as at the dates indicated:

	As at 31 December		
	2018	2019	2020
Effective interest rates	1.10%-8.50%	3.20%-11.50%	4.05%-11.50%

Certain of our banks and other borrowings are secured by pledges over our pledged bank deposits, right-of-use assets, investment properties and property, plant and equipment.

Certain of our PRC subsidiaries have entered into fund arrangements with certain financial institutions, which act in the capacity as trustees, pursuant to which such trustees raised trust funds and injected the funds to these subsidiaries. All such funds bear interest at fixed interest rates, have fixed repayment terms, and are secured by equity interests of these PRC subsidiaries. The share of net assets in connection with the secured equity interests of these PRC subsidiaries was approximately CNY79 million, CNY84 million and CNY23 million as at 31 December 2018, 2019 and 2020, respectively.

Bonds and Notes

The following table sets forth our outstanding bonds and notes as at 31 December 2018, 2019 and 2020, respectively.

	As at 31 December		
	2018	2019	2020
	(CNY in millions)	(CNY in millions)	(CNY in millions)
Current			
Unguaranteed notes due 2020	–	27,961	–
Unguaranteed bonds due 2020	–	9,798	–
Unguaranteed notes due 2019	11,986	–	–
Unguaranteed notes due 2021	–	–	11,994
Unguaranteed bonds due 2021	–	–	24,746
Guaranteed bonds due 2020	–	2,086	–
Subtotal	11,986	39,845	36,740
Non-current			
Unguaranteed notes due 2021	11,957	11,975	–
Unguaranteed bonds due 2021	24,946	24,722	–
Guaranteed bonds due 2022	–	2,729	2,570
Guaranteed bonds due 2023	–	–	2,589
Guaranteed bonds due 2024	4,050	4,117	3,889
Unguaranteed notes due 2020	27,892	–	–
Unguaranteed bonds due 2020	9,788	–	–
Unguaranteed notes due 2023	–	–	17,936
Unguaranteed bonds due 2024	–	–	5,984
Unguaranteed bonds due 2025	–	–	3,785
Subtotal	78,633	43,543	36,753
Total	90,619	83,388	73,493

See "Description of Material Indebtedness and Other Obligations" for more details.

Capital expenditure

For the years ended 31 December 2018, 2019 and 2020, we incurred capital expenditures in the amount of CNY14,568 million, CNY9,795 million and CNY12,856 million, respectively, primarily due to expenditures in connection with the periodic renovation of investment properties and hotels and development and construction of projects in our reserve.

Commitments

Our commitments primarily comprise capital commitments. Our capital commitments primarily relate to the acquisition of buildings, plant and machinery. We also have certain operating lease commitments primarily relating to our leases of investment properties, buildings, internet cables, motor vehicles and others under operating lease arrangements, which are of small amounts.

The following table sets out our capital commitments as at the dates indicated:

	As at 31 December		
	2018	2019	2020
	(CNY million)	(CNY million)	(CNY million)
Contracted but not provided for:			
Buildings, plant and machinery	28,283	8,658	6,692
Total	28,283	8,658	6,692

Contingent liabilities

Our contingent liabilities primarily comprise guarantees we provided in respect of the mortgage facilities granted by commercial banks to the purchasers of properties we historically developed and sold. Pursuant to the terms of the guarantee arrangements, in the case of a default on the mortgage payments by the purchasers, we are responsible for repaying the outstanding mortgage loans together with any accrued interest and penalties owed by the defaulting purchasers to the banks. We are then entitled to take over the legal titles of the related properties. Our guarantee periods commence from the dates that the relevant mortgage loans are granted and end upon the earlier of (i) the satisfaction of the relevant mortgage loans by the purchasers of the properties and (ii) the issuance of property ownership certificates for the relevant mortgaged properties, which is generally available within six months to one year after the purchasers have taken possession of the relevant properties. As at 31 December 2018, 2019 and 2020, we had provided an aggregate CNY38,456 million, CNY11,700 million and CNY4,185 million in guarantees given to the banks for mortgage facilities granted to purchasers of our properties, respectively.

Qualitative and quantitative disclosure about market risk

We are exposed to various types of market risks in the normal course of business, primarily including interest rate risk, foreign exchange risk, credit risk and liquidity risk. The following discussion summarises our exposure to different market risks:

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations with floating interest rates.

Foreign currency risk

Our main business are principally conducted in Renminbi and we continuously monitor the risk of foreign currency fluctuations faced by overseas investment entities to minimise the foreign currency risks.

Credit risk

We have no concentration of credit risk. Our cash and cash equivalents are mainly deposited with reputable overseas banks and state-owned banks in the PRC. The carrying amounts of the trade and bills receivables, other receivables, restricted cash and cash and cash equivalents included in our consolidated statement of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk. We have arranged bank financing for certain purchasers of our properties and have provided guarantees to secure the obligations of such purchasers for repayment.

Liquidity risk

We monitor our risk to a shortage of funds by using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximise shareholders' value.

We manage our capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust our capital structure, we may adjust our dividend payments to Shareholders, return capital to Shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018, 2019 and 2020.

Off-balance sheet arrangements

During the years ended 31 December 2018, 2019 and 2020, aside from the capital commitments, operating lease commitments and contingent liabilities discussed above, we had no material off-balance sheet arrangements.

Non-GAAP financial measures

We use EBITDA to provide additional information about our operating performance. EBITDA refers to our gross profit less selling and distribution expenses and administrative expenses, plus depreciation, depreciation of right-of-use assets, amortisation of prepaid land lease payments and amortisation of other intangible assets, and is presented for continuing operations.

EBITDA is not a standard measure under IFRS, but is a widely used financial indicator of a company's ability to service and incur debt. As our business is capital intensive, capital expenditure requirements and levels of debt and interest expenses may have a significant impact on net profit of companies with similar operating results. Therefore, we believe the investor community commonly uses this type of financial measure to assess the operating performance of companies in its market sector.

We operate in a capital-intensive industry. We use EBITDA in addition to operating profit because operating profit includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortisation of intangible assets and investment income. These accounting items may vary between companies depending on the method of accounting adopted by a company. By minimising differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortisation and investment income, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results.

EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table shows our calculation of EBITDA for the years indicated:

	For the year ended 31 December		
	2018	**2019**	**2020**
	(CNY million)	**(CNY million)**	**(CNY million)**
Continuing operations			
Revenue	34,447	39,769	38,739
Gross profit	22,166	25,060	25,286
Selling and distribution expenses	(911)	(1,195)	(2,060)
Administrative expenses	(2,979)	(3,958)	(4,264)
Add:			
Depreciation	395	445	383
Depreciation of right-of-use assets	–	133	110
Amortisation of prepaid land lease payments	25	–	–
Amortisation of other intangible assets	159	169	174
EBITDA	18,855	20,654	19,629
EBITDA margin[(1)]	54.7%	51.9%	50.7%

Note:

(1) EBITDA margin is calculated by dividing EBITDA by the revenue from continuing operation for the relevant period, expressed as a percentage.

TERMS AND CONDITIONS OF THE BONDS

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of US$325,000,000 7.25 per cent. guaranteed bonds due 2022 (the "**Bonds**", which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of Directors of Wanda Properties Overseas Limited (萬達地產海外有限公司) (the "**Issuer**") passed on 19 April 2021. The Bonds are jointly and severally guaranteed by the Subsidiary Guarantors (as defined in Condition 3). The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolution of the board of directors of each of the Subsidiary Guarantors on 19 April 2021. Each of the Issuer and the Subsidiary Guarantors is, directly or indirectly, a subsidiary of Dalian Wanda Commercial Management Group Co., Ltd. (大連萬達商業管理集團股份有限公司) (the "**Company**"). The Bonds are constituted by a Trust Deed (the "**Trust Deed**") dated on or about 29 April 2021 (the "**Issue Date**") between the Issuer, the Company, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch (the "**Trustee**" which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds, and the Agency Agreement. Copies of the Trust Deed and of the Agency Agreement (the "**Agency Agreement**") dated on or about 29 April 2021 relating to the Bonds between the Issuer, the Subsidiary Guarantors, the Trustee, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**"), The Bank of New York Mellon, London Branch as initial principal paying agent (the "**Principal Paying Agent**") and any other agents named in it, are available for inspection following prior written request and satisfactory proof of holding during usual business hours at the registered office of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified office of the Principal Paying Agent. The "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds also have the benefit of (i) a keepwell deed dated on or about 29 April 2021 (the "**Keepwell Deed**") entered into by the Issuer, the Company, Wanda Commercial Properties (Hong Kong) Co. Limited (萬達商業地產(香港)有限公司) ("**Wanda HK**") and the Trustee; and (ii) a deed of equity interest purchase undertaking dated on or about 29 April 2021 (the "**Deed of Equity Interest Purchase Undertaking**") entered into by the Company and the Trustee, both deeds being executed in favour of the Trustee. The entering into the Keepwell Deed was authorised by a resolution of the board of directors of each of Wanda HK and the Issuer on 19 April 2021. The entering into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking was authorised by a resolution of the board of directors of the Company on 26 March 2021. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

All capitalised terms that are not defined in these terms and conditions ("**these Conditions**") shall have the meanings given to them in the Trust Deed.

1. Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof (each, an "**Authorised Denomination**").

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" means the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") deposited with a common depositary for, and representing Bonds registered in the name of a nominee of such common depositary for, Euroclear and Clearstream. These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions relating to the Bonds while in Global Form".*

2. Transfers of Bonds

(a) *Transfer*: A holding of Bonds may, subject to Condition 2(c), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(b) *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) *Transfer or Exercise Free of Charge*: Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require).

(d) *Closed Periods*: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after any Bond has been put for redemption, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3. Status and Guarantee

(a) *Status*: The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

(b) *Guarantee*: The Subsidiary Guarantors have unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Each Subsidiary Guarantor's obligations in respect of the Bonds and the Trust Deed (the "**Guarantee**") are contained in the Trust Deed (and any supplement thereto). The obligations of the Subsidiary Guarantors under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all their respective other present and future unsecured and unsubordinated obligations.

In these Conditions:

"**Subsidiary Guarantors**" means Wanda HK, Wanda Real Estate Investments Limited (萬達地產投資有限公司) and Wanda Commercial Properties Overseas Limited (萬達商業地產海外有限公司).

4. Covenants

(a) *Negative Pledge*: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Subsidiary Guarantors shall, and each of the Issuer and the Subsidiary Guarantors shall procure that none of their respective Subsidiaries (other than Wanda Hotel Development Company Limited (萬達酒店發展有限公司) and its Subsidiaries) will, create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure (A) any Relevant Indebtedness outside the PRC or (B) any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC without (i) at the same time or prior thereto securing the Bonds or guaranteeing or indemnifying the Bondholders equally and rateably therewith or (ii) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders;

(b) *Financial Covenants*: Each of the Issuer and Wanda HK undertakes that from the Issue Date and for so long as any Bonds are outstanding, Wanda HK shall at all times maintain its Total Equity at not less than HK$800,000,000 or its equivalent.

The financial covenant set out in this Condition 4(b) (and the compliance of the Issuer and Wanda HK with the same) shall be tested solely by reference to the Wanda HK Audited Financial Reports or, as the case may be, the Wanda HK Unaudited Financial Reports as at the end of each Relevant Period.

The Trustee is under no obligation or duty to monitor compliance by the Issuer or Wanda HK with this Condition 4(b) and shall not be responsible or liable to any Bondholder or any other person for not doing so.

(c) *Financial Information*: For so long as any Bond remains outstanding:

(i) the Company will furnish the Trustee with (A) a Compliance Certificate of the Company (on which the Trustee may rely as to such compliance) and a copy of the relevant Company Audited Financial Reports within 120 days of the end of each Relevant Period prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (audited by an internationally recognised firm of independent accountants) of the Company and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of accountants, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate; and (B) a copy of the Company Unaudited Financial Reports within 60 days of the end of each Relevant Period prepared on a basis consistent with audited consolidated financial statements of the Company and its Subsidiaries and, if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally recognised firm of accountants or (bb) a professional translation service provider and checked by an internationally recognised firm of accountants, together with a certificate signed by a director of the Company certifying that such translation is complete and accurate; *provided that*, (if at any time the capital stock of the Company is listed for trading on a recognised stock exchange,) the Company may furnish to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Company are filed with the exchange on which the Company's capital stock is at such time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in Condition 4(c)(i)(A) and Condition 4(c)(i)(B) above; and

(ii) the Issuer and the Subsidiary Guarantors will furnish the Trustee with (A) a Compliance Certificate of each of the Issuer and the Subsidiary Guarantors (on which the Trustee may rely as to such compliance) and a copy of the relevant Wanda HK Audited Financial Reports within 120 days of the end of each Relevant Period; and (B) a copy of the Wanda HK Unaudited Financial Reports within 60 days of the end of each Relevant Period.

(d) *Issuer Activities*: So long as any Bond remains outstanding, the Issuer shall not, and the Subsidiary Guarantors and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with (i) the Bonds and (ii) the issuance of other Relevant Indebtedness (together with the Bonds) up to an aggregate principal amount not exceeding US$2,000,000,000. Such activities in connection with the Bonds or the issuance of other Relevant Indebtedness shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or such other Relevant Indebtedness to any of the Subsidiary Guarantors or the Company or as any of them may direct.

(e) *Deed of Equity Interest Purchase Undertaking*: Upon the occurrence of any Event of Default (as defined under Condition 9), the Trustee shall give to the Company (with a copy to the Issuer) a notice in writing in accordance with the Trust Deed notifying the Company of its obligations to purchase under the Deed of Equity Interest Purchase Undertaking. Upon the completion of any equity purchase made in accordance with the Deed of Equity Interest Purchase Undertaking, each of the Issuer and the Subsidiary Guarantors undertakes to (i) direct the Company promptly to pay or procure to be paid an amount (being an amount no less than the amount sufficient to enable the Issuer and the Subsidiary Guarantors to discharge their respective obligations under the Bonds and the Trust Deed and those other payment obligations described under the Deed of Equity Interest Purchase Undertaking) from the proceeds to be received by the relevant Subsidiary Guarantor or Subsidiary Guarantors and/or any other relevant Subsidiaries of the Company incorporated outside the PRC in relation to such equity purchase made in accordance with the Deed of Equity Interest Purchase Undertaking to or to the order of the Trustee and (ii) promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received in accordance with the Deed of Equity Interest Purchase Undertaking to be applied solely towards the payment in accordance with the Trust Deed of any outstanding amounts under the Trust Deed and the Bonds (including any interest accrued but unpaid on the Bonds) prior to any other use, disposal or transfer of the proceeds received.

(f) *Irrevocable Cross-Border Standby Facility*: In the event that (i) the Issuer fails to provide a Liquidity Notice to each of the Company and the Trustee at least 30 Facility Business Days prior to an Interest Payment Date in accordance with the Keepwell Deed, or (ii) an Event of Default has occurred, the Company shall, among other things, (x) as soon as practicable grant to the Issuer a standby facility, (y) remit an amount to the Issuer in order for it to discharge its obligations under the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed, and (z) cause the Issuer to use the amount received to discharge its obligations under the Bonds and Trust Deed, in each case in accordance with and as set out in the Keepwell Deed.

In these Conditions:

"**Company Audited Financial Reports**" means annual audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any Directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Company Unaudited Financial Reports**" means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any Directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them. For the avoidance of doubt, such reports shall not be required to be reviewed by an independent accountant;

"**Compliance Certificate**" means a certificate of each of the Company, the Issuer and the Subsidiary Guarantors (as the case may be) signed by their respective directors (in the case of the Company, signed by two of its directors, and in the case of the Issuer or any of the Subsidiary Guarantors, signed by one director) that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company, the Issuer or the Subsidiary Guarantors (as the case may be) as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) each of Company, the Issuer and the Subsidiary Guarantors (as the case may be) has complied with all its obligations under the Trust Deed and the Bonds or, if non-compliance had occurred, giving details of it.

"**Facility Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are generally open for business in New York City, Beijing, London and Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Liquidity Notice**" means the notice to be given by the Issuer to the Company and the Trustee no later than 30 Facility Business Days before each Interest Payment Date certifying, as at the date of such notice, that it has sufficient liquidity (including external resources available to it outside of the PRC) to meet its payment obligations under the Bonds and the Trust Deed as they may fall due (together with evidence of available funding outside the PRC) on or prior to such Interest Payment Date and that no Event of Default or Potential Event of Default has occurred;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement of similar nature provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday or Sunday or other public holiday in the PRC) on which commercial banks are generally open for business in the PRC;

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means, in relation to each of the Company Audited Financial Reports and the Wanda HK Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being December 31 of that financial year) and, in relation to each of the Company Unaudited Financial Reports and the Wanda HK Unaudited Financial Reports, each period of six months ending on the last day of their respective first half financial year (being June 30 of that financial year);

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person;

"**Total Equity**" means the line item with the corresponding caption in the consolidated statement of financial position of Wanda HK in the Wanda HK Audited Financial Reports and the Wanda HK Unaudited Financial Reports, as the case may be, comprising the aggregate of:

(i) the amount paid up or credited as paid up on the issued ordinary share capital of Wanda HK;

(ii) the amount standing to the credit of the consolidated reserve of Wanda HK and its Subsidiaries; and

(iii) the amount attributable to the non-controlling interests;

"**Wanda HK Audited Financial Reports**" means annual audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of Wanda HK together with any statements, reports (including any Directors' and auditors' reports) and notes attached to or intended to be read with any of them; and

"**Wanda HK Unaudited Financial Reports**" means semi-annual (or any other interim reporting period required by applicable law or regulations) unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of Wanda HK together with any statements, reports (including any Directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them. For the avoidance of doubt, such reports shall not be required to be reviewed by an independent accountant.

5. Interest

The Bonds bear interest on their outstanding principal amount from and including 29 April 2021 at the rate of 7.25 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 28 October 2021 and 28 April 2022 (each an "**Interest Payment Date**").

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) in respect of such Bond is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable on the Interest Payment Dates falling on 28 October 2021 and 28 April 2022 shall be US$36.05 per Calculation Amount and US$36.25 per Calculation Amount, respectively. If interest is required to be paid in respect of a Bond on any other date, the amount of interest payable in respect of each Bond for any period shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Bond divided by the Calculation Amount, where "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

6. Redemption and Purchase

(a) *Final Redemption*: Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 28 April 2022 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) *Redemption for Tax Reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with accrued and unpaid interest to (but excluding) the date fixed for redemption), if (i) the Issuer (or, if the Guarantee was called, any of the Subsidiary Guarantors) satisfies the Trustee immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, Hong Kong or the PRC (each, a "**Relevant Jurisdiction**") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 22 April 2021, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Subsidiary Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the relevant Subsidiary Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by a director of the Issuer (or of the relevant Subsidiary Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the relevant Subsidiary Guarantor, as the case may be) taking reasonable measures available to it, and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(b) without further enquiry and without liability to any Bondholder, in which event it shall be conclusive and binding on the Bondholders.

(c) *Redemption for Change of Control Event*: At any time following the occurrence of a Change of Control Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. of their principal amount, together with accrued and unpaid interest to (but excluding) such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of, a Change of Control Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to monitor, verify, ascertain whether a Change of Control Event has occurred and shall not be responsible for or liable to Bondholders, the Issuer, the Subsidiary Guarantors or the Company for any loss arising from any failure to do so.

In this Condition 6(c):

a "**Change of Control Event**" occurs when:

(i) Mr. WANG Jianlin, together with the Permitted Persons, acting together, ceases to Control the Company;

(ii) Wanda HK ceases to be a directly or indirectly wholly-owned Subsidiary of the Company; or

(iii) the Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of Wanda HK;

"**Control**" means (where applicable): (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing; and

"**Permitted Persons**" means any or all of the following: (i) any estate, spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent in law, grandchild, grandparent, uncle, aunt, nephew or niece of Mr. Wang Jianlin, or (ii) any legal representative of any of the foregoing (including Mr. Wang Jianlin) (including, for purposes of this definition, any trust for which Mr. Wang Jianlin or any such other person specified in clause (i) is a settlor or a beneficiary).

References to "**principal**" in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(c).

(d) *Notice of Redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) *Purchase*: The Company, the Subsidiary Guarantors, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Subsidiary Guarantors, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) *Cancellation*: All Certificates representing Bonds purchased by or on behalf of the Issuer, the Company, the Subsidiary Guarantors or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Subsidiary Guarantors in respect of any such Bonds shall be discharged.

7. Payments

(a) *Method of Payment*:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Upon application by the holder to the specified office of the Registrar or any Paying Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(b) *Payments subject to Fiscal Laws*: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) *Payment Initiation*: Where payment is to be made by transfer to an account in US dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated, or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) *Appointment of Agents*: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

(e) *Delay in payment*: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) *Non-Payment Business Days*: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in US dollars, the place on which foreign exchange transactions may be carried on in US dollars in the principal financial centre of the country of such currency.

8. Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Subsidiary Guarantors in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction (as defined in Condition 6(b)) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event the Issuer or, as the case may be, the relevant Subsidiary Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

(a) *Other connection*: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands, Hong Kong or the PRC other than the mere holding of the Bond; or

(b) *Surrender more than 30 days after the Relevant Date*: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or

(c) *Declaration*: to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. Events of Default

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer and the Subsidiary Guarantors declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued and unpaid interest:

(a) *Non-Payment*: there is a failure to pay (i) the principal of or any premium on any of the Bonds when due; or (ii) any interest on the Bonds when due and such failure to pay interest continues for ten days after the due date for such payment; or

(b) *Breach of Other Obligations*: the Company, the Issuer or any of the Subsidiary Guarantors does not perform or comply with any one or more of its other obligations in the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Trust Deed, (other than those referred to in Condition 9(a) and other than where it gives rise to a redemption pursuant to Condition 6(c)) which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer and Wanda HK by the Trustee; or

(c) *Cross-Default*: (i) any other present or future indebtedness of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Company, the Issuer, any Subsidiary Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries over all or a material part of the assets of the Company, the Issuer, the relevant Subsidiary Guarantor or the relevant Principal Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 45 days; or

(f) *Insolvency*: the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries is (or is deemed by law or declared by a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Company, the Issuer, any Subsidiary Guarantor, or any of their respective Principal Subsidiaries, as the case may be; or

(g) *Winding-up*: an administrator is appointed, an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Company, the Issuer, any Subsidiary Guarantor or any of their respective Principal Subsidiaries, or the Company, any Subsidiary Guarantor, the Issuer or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (A) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) whereby the undertaking and assets of a Principal Subsidiary are transferred to or otherwise vested in the Company or any of its

Subsidiaries; or (B) a solvent winding up of any Principal Subsidiary of the Company other than the Subsidiary Guarantors and the Issuer; or (C) a disposal on an arm's length basis where the assets resulting from such disposal are vested in the Company or any of its Principal Subsidiaries; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer, the Company and the Subsidiary Guarantors lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed, the Keepwell Deed (other than with regard to the performance and compliance with the obligations thereunder) and the Deed of Equity Interest Purchase Undertaking (other than with regard to the performance and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(i) *Illegality*: it is or will become unlawful for any of the Company, the Issuer and the Subsidiary Guarantors to perform or comply with any one or more of their respective obligations under any of the Bonds or the Trust Deed, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking; or

(j) *Unenforceability of Guarantee*: except as permitted under the Trust Deed, any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or any Subsidiary Guarantor; or

(k) *Keepwell Deed and Deed of Equity Interest Purchase Undertaking*: the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is not or is claimed by the Company not to be in full force and effect, or the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its respective terms; or

(l) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 9(d) to Condition 9(g) (both inclusive).

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Issuer, a Subsidiary Guarantor or the Company:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 5 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Company and its Subsidiaries including, for the avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) total consolidated assets, as shown by (or measured based on) its latest audited balance sheet are at least 5 per cent. of the consolidated total assets of the Company and its Subsidiaries as shown by (or measured based on) the latest audited consolidated balance sheet of the Company and its Subsidiaries, including, for the avoidance of doubt, the investments of the Company in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate), of the Company prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Company adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Company;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Company, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company.

In addition, for purposes of this Condition 9, any Subsidiary of the Issuer, a Subsidiary Guarantor or the Company which is not itself a Principal Subsidiary as of the relevant date of determination shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has subsidiaries) or total assets (or consolidated total assets if the Subsidiary itself has subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or total assets (or consolidated total assets if appropriate) attributable to any other Subsidiary of the Issuer, a Subsidiary Guarantor or the Company which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred and is continuing at such date of determination, exceeds 5 per cent. of the consolidated revenue, consolidated gross profit or consolidated total assets of the Company and its Subsidiaries as shown in the latest audited financial statements.

10. Prescription

Claims against the Issuer and/or any of the Subsidiary Guarantors for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. Meetings of Bondholders, Modification and Waiver

(a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking. Such a meeting may be convened by the Issuer, the Subsidiary Guarantors or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to cancel or amend the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Guarantee other than in accordance with Condition 12(b), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

So long as the Bonds are represented by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.

(b) *Modification of Agreements and Deeds*: The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Trustee or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

(c) *Entitlement of the Trustee*: In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Subsidiary Guarantors any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13. Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Company, the Issuer and/or the Subsidiary Guarantor(s) as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Company, the Issuer and/or the Subsidiary Guarantor(s) unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company, the Issuer, any Subsidiary Guarantor and/or any entity related (directly or indirectly) to the Company, the Issuer or any Subsidiary Guarantor without accounting for any profit.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company, the Subsidiary Guarantors and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer, the Company or the Subsidiary Guarantors to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from taking any such action, making any such decision, or giving any such direction, to seek directions or clarification of any directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarification of such directions or in the event that no such directions or clarifications are received.

The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and, in such event, such report, confirmation or certificate or advice shall be binding on the Bondholders and, if delivered by or on behalf of the Issuer, the Company or any Subsidiary Guarantor pursuant to any provisions of these Conditions, the Trust Deed, the Agency Agreement, the Keepwell Deed or the Deed of Equity Interest Purchase Undertakings, then it shall be binding on the Bondholders, the Issuer, the Company and the Subsidiary Guarantors.

15. Further Issues

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17. Governing Law and Jurisdiction

(a) *Governing Law*: The Trust Deed, the Agency Agreement, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Guarantee, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Agency Agreement or the Trust Deed ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer, the Subsidiary Guarantors and the Company has irrevocably submitted to the jurisdiction of the courts of Hong Kong.

(c) *Agent for Service of Process*: Each of the Issuer, the Subsidiary Guarantors (other than Wanda HK) and the Company has irrevocably agreed to receive service of process at Wanda HK's principal place of business at Unit 3007, 30th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong in any Proceedings in Hong Kong.

(d) *Waiver of Immunity*: To the extent the Issuer, any of the Subsidiary Guarantors or the Company may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer, any of the Subsidiary Guarantors or the Company or their respective assets or revenues, each of the Issuer, the Subsidiary Guarantors and the Company has agreed not to claim and irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Keepwell Deed.

Ownership of the Issuer, Wanda HK

Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall, directly or indirectly, own and hold all the outstanding shares of each of the Issuer and Wanda HK and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to encumber or dispose of any or all such shares by applicable law or regulation or pursuant to a court decree or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged.

Pursuant to the Keepwell Deed, the Company will undertake with the Issuer, Wanda HK and the Trustee that it shall maintain Wanda HK as the flagship overseas investment holding Subsidiary of the Company for its real estate business.

Maintenance of Consolidated Net Worth; Liquidity

In addition, pursuant to the Keepwell Deed, the Company will undertake that it shall cause:

(a) each of the Issuer and Wanda HK to have a Consolidated Net Worth of at least US$1.00 (or its equivalent in any other currency) at all times;

(b) each of the Issuer and Wanda HK to have sufficient liquidity to ensure timely payment by each of the Issuer and Wanda HK of any amounts payable under or in respect of the Bonds and the Guarantee, as the case may be, in accordance with the terms and conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement;

(c) Wanda HK to have an aggregate Total Equity of at least HK$800,000,000 at all times; and

(d) each of the Issuer and Wanda HK to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards.

If the Issuer or Wanda HK at any time determines that it will have insufficient liquidity to meet its payment obligations under the Bonds or the Guarantee, as the case may be, and otherwise under the Trust Deed or the Agency Agreement as they fall due, pursuant to the Keepwell Deed, the Issuer and/or Wanda HK will undertake to promptly notify the Company of the shortfall and the Company will make available to the Issuer or Wanda HK, before the due date of the relevant payment obligations, funds sufficient by means permitted by applicable laws and regulations to enable the Issuer or Wanda HK, as the case may be, to pay such payment obligations in full as they fall due. The Issuer or Wanda HK shall use any funds made available to it by the Company in accordance with the Keepwell Deed solely for the payment when due of such payment obligations under the Bonds, the Guarantee or the Trust Deed, as the case may be.

For the purposes of the Keepwell Deed:

"**Consolidated Net Worth**" means, in respect of the Issuer or Wanda HK, the excess of total assets of the Issuer or Wanda HK and its consolidated Subsidiaries over total liabilities of the Issuer or Wanda HK and its consolidated Subsidiaries, total assets and total liabilities each to be determined in accordance with the Hong Kong Financial Reporting Standards consistently applied; and

"**Total Equity**" means the line item with the corresponding caption in the consolidated statement of financial position of Wanda HK in its financial reports, comprising the aggregate of:

(a) the amount paid up or credited as paid up on the issued ordinary share capital of Wanda HK;

(b) the amount standing to the credit of the consolidated reserve of Wanda HK and its Subsidiaries; and

(c) the amount attributable to non-controlling interests.

Irrevocable Cross-Border Standby Facility

Pursuant to the Keepwell Deed, no later than 30 Facility Business Days before each Interest Payment Date (the "**Liquidity Notice Date**"), the Issuer shall send to each of the Company and the Trustee a notice in writing (the "**Liquidity Notice**") certifying, as at the date of the Liquidity Notice, that it has sufficient liquidity (including external resources available to it outside of the PRC) to meet its payment obligations under the Bonds and the Trust Deed as they may fall due (together with evidence of available funding outside the PRC) on or prior to the immediately following Interest Payment Date and that no Event of Default or Potential Event of Default has occurred.

In the event that (i) the Issuer does not provide a Liquidity Notice in accordance with and by the time specified above or (ii) an Event of Default has occurred, the Company shall:

(a) as soon as practicable grant to the Issuer a standby facility (the "**Standby Facility**") pursuant to which the Company will remit an amount which (upon conversion, if applicable) will be sufficient to satisfy the payment obligations set out below (the "**Remittance Amount**");

(b) as soon as practicable open with a PRC commercial bank (the "**Settlement Bank**") a special account for the transfer and remittance of the Remittance Amount to the Issuer according to the relevant PRC laws;

(c) remit the Remittance Amount to a specified account of the Issuer in Hong Kong through the special account (i) in the case of a failure to provide a Liquidity Notice in (i) above at least two Facility Business Days prior to the next Interest Payment Date or (ii)in the case of an occurrence of an Event of Default in (ii) above as soon as practicable; and

(d) cause the Issuer to use the Remittance Amount to discharge its obligations under the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking and the Keepwell Deed on the due date therefor,

provided that the Company's obligations to do so shall be subject to prevailing laws, regulations and government policies at such time and if required, regulatory approvals.

The Remittance Amount to be remitted must (after taking into account exchange rate movements) be sufficient to enable the Issuer to purchase US dollars in an amount sufficient to discharge in full:

- in the case of a failure to provide a Liquidity Notice in (i) above, the Issuer's obligations under the Bonds and the Trust Deed which will become due on the immediate next Interest Payment Date; or

- in the case of an occurrence of an Event of Default in (ii) above, the Issuer's obligations under or in respect of the Bonds and the Guarantee in accordance with the terms and conditions of the Bonds and/or the Trust Deed and otherwise under the Trust Deed and the Agency Agreement (including, without limitation, the principal amount of the Bonds then outstanding and any interest due and unpaid and/or accrued but unpaid), *plus* all costs, fees and expenses and other amounts payable to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking and/or the Keepwell Deed as at the date of the Liquidity Notice Date (including without limitation all foreign exchange conversion expenses) plus provisions for costs, fees and expenses and other amounts which may be incurred after the Liquidity Notice Date as notified by the Trustee.

Pursuant to the Keepwell Deed, each of the Company and the Issuer agrees and acknowledges that the terms of the Standby Facility shall be at arm's length (or more favourable to the Issuer) and shall not require any security from the Issuer. This Standby Facility is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or Wanda HK under the laws of any jurisdiction, including the PRC.

Other Covenants

The Company will further undertake pursuant to the Keepwell Deed:

- to procure that the articles of association of each of the Issuer and Wanda HK shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;

- to cause each of the Issuer and Wanda HK to remain in full compliance with the Terms and Conditions of the Bonds, the Guarantee, the Trust Deed and all applicable rules and regulations in Hong Kong and the British Virgin Islands;

- to promptly take any and all action necessary to comply with its obligations under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking;

- to cause each of the Issuer and Wanda HK to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed, the Bonds, the Guarantee and the Trust Deed; and

- to procure that the Issuer will not carry on any business activity whatsoever other than in connection with (i) the Bonds and (ii) the issuance of other Relevant Indebtedness (together with the Bonds) up to an aggregate principal amount not exceeding US$2,000,000,000. Such activities in connection with the Bonds or the issuance of other Relevant Indebtedness shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or such other Relevant Indebtedness to any of the Subsidiary Guarantors or the Company or as any of them may direct. In this provision, "**Relevant Indebtedness**" means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) (which for the avoidance of doubt does not include bi-lateral loans, syndicated loans or club deal loans).

General

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or Wanda HK under the laws of any jurisdiction, including the PRC.

The performance by the Company of its obligations under the Keepwell Deed may be subject to all necessary approvals, consents, licences, orders, permits, registrations, filings, clearances and any other authorisations from the relevant Approval Authorities (as defined in the Keepwell Deed) ("**Regulatory Approvals**") and the Company will undertake, pursuant to the Keepwell Deed, to use its best endeavours to obtain such Regulatory Approvals.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the terms and conditions of the Bonds and the Trust Deed. None of the Issuer, Wanda HK or the Company may assign its rights or transfer its obligations under the Keepwell Deed, in whole or in part, without the prior written consent of the Trustee.

The Keepwell Deed, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Keepwell Deed and accordingly any legal action or proceedings arising out of or in connection with the Keepwell Deed may be brought in such courts.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking. Unless otherwise defined herein, defined terms used in this section shall have the meanings given to them in the Deed of Equity Interest Purchase Undertaking.

The Company intends to assist the Issuer and the Subsidiary Guarantors in meeting their respective obligations under the Bonds and the Guarantee. Pursuant to the terms of the Deed of Equity Interest Purchase Undertaking entered into between the Trustee and the Company, the Company agrees to purchase, either by itself or through a PRC incorporated subsidiary of the Company (the "**Designated Purchaser**"), all or any equity interests upon receiving a written purchase notice (the "**Purchase Notice**") from the Trustee (the "**Purchase**"). The equity interests comprise the interests held by the Relevant Transferor(s) (the "**Equity Interest**") of a subsidiary of the Company that is held by such Relevant Transferor.

Obligation to Acquire Equity Interest

Under the Deed of Equity Interest Purchase Undertaking, the Company will undertake to the Trustee that upon receipt of a written Purchase Notice from the Trustee following the Trustee being notified of the occurrence of an Event of Default under the Bonds, the Company will, subject to obtaining all Regulatory Approvals (as defined in the Deed of Equity Interest Purchase Undertaking), purchase (either by itself or through a Designated Purchaser):

(a) the Equity Interest (as defined in the Deed of Equity Interest Purchase Undertaking) held by any Subsidiary Guarantor and/or any other Subsidiaries of the Company incorporated outside the PRC, as designated by the Company and notified in writing to the Trustee within five Business Days after the date of the Purchase Notice; or

(b) in the absence of a designation and notification within five Business Days after the date of the Purchase Notice as provided in (a) above, the Equity Interest held by all the Subsidiaries of the Company incorporated outside the PRC,

(each such designated entity or Subsidiary, a "**Relevant Transferor**") in either such case at the Purchase Price on the relevant Purchase Closing Date (as defined in the Deed of Equity Interest Purchase Undertaking) on the terms set out in the Deed of Equity Interest Purchase Undertaking and the Equity Interest Transfer Agreement.

Determination of Purchase Price

Within 10 Business Days after the date of the Purchase Notice, the Company shall determine (i) the purchase price of the Equity Interest(s) subject to the Purchase (the "**Purchase Price**") in accordance with any applicable PRC laws and regulations effective at the time of determination; and (ii) the other applicable terms relating to the Purchase, provided that the Purchase Price shall be no less than the aggregate of the following amounts (the "**Shortfall Amount**"):

(a) the amount in US dollars sufficient to enable the Issuer and the Subsidiary Guarantors to discharge in full their respective obligations under the Bonds, the Guarantee and the Trust Deed (including without limitation the principal amount of the Bonds then outstanding as at the date of such Purchase Notice and any interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Purchase Notice), plus

(b) an amount equal to US$11,781,250 equivalent to the interest amount in respect of one interest period on the Bonds, plus

(c) all costs, fees and expenses and other amounts payable in US dollars to the Trustee and/or the Agents under or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Purchase Notice plus provisions for fees and expenses which may be incurred after the date of the Purchase Notice, as notified by the Trustee in the Purchase Notice.

Closing in respect of Purchase of Equity Interest

In relation to the Purchase of any Equity Interest relating to a company incorporated in the PRC held by any Relevant Transferor, the Company will agree that:

(i) within 15 Business Days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an Equity Interest Transfer Agreement. Where an Equity Interest to be Purchased relates to a company in the PRC which is subject to the special administrative measures on the market access as prescribed by applicable laws and regulations of the PRC, within 15 days after the date of the Purchase Notice, the Company shall file such agreements and/or documents as required by applicable laws and regulations with relevant Approval Authorities (where applicable), for approval of the transfer of the Equity Interests being the subject of the Purchase;

(ii) within five Business Days after (i) (if approval from relevant Approval Authorities is required under applicable laws and regulations of the PRC) the receipt of approval from such Approval Authorities or (ii) (if approval is not required) the date of the execution of the Equity Interest Transfer Agreement, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent Administration for Market Regulation ("**AMR**") for AMR registration of the transfer of the Equity Interest of each Relevant Transferor;

(iii) as soon as reasonably practicable after receipt of AMR registration from the competent AMR, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority;

(iv) within five Business Days after completion of the change of AMR registration and the receipt of the tax clearance certificate, the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent banks designated by SAFE (where applicable) (a) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (b)for the purchase of US dollar amount of the Purchase Price and the outbound remittance of the Purchase Price; and

(v) closing of such Purchase shall take place on the fifth Business Day after the date of completion of the registration or the receipt of the approvals from the competent banks designated by SAFE (where applicable) and all other applicable Regulatory Approvals (the "**Onshore Purchase Closing Date**"), and on the Onshore Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in US dollars to such account in Hong Kong as may be designated by such Relevant Transferor.

In relation to the Purchase of any Equity Interest relating to a company incorporated outside the PRC held by any Relevant Transferor, the Company will agree that:

(i) within 15 Business Days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations, and shall file such agreements and/or documents as required by applicable laws and regulations with NDRC (where applicable), MOFCOM, and authorities of other jurisdiction in charge of the Purchase (where applicable), for approval, filing or registration of the transfer of the Equity Interests being the subject of the Purchase;

(ii) within five Business Days after receipt of approval from, or the completion of filings with, NDRC (where applicable) and MOFCOM, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE and/or the competent banks designated by SAFE; and

(iii) closing of such purchase shall take place on the fifth Business Day after the date of receipt of the approvals or registration from NDRC (where applicable), MOFCOM, SAFE or the competent banks designated by SAFE and authorities of other jurisdiction in charge of the Purchase as referred to in (i) above (the "**Offshore Purchase Closing Date**"), and on the Offshore Purchase Closing Date, the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in US dollars to such account in Hong Kong as may be designated by such Relevant Transferor.

provided that the Company may discharge its obligations either by itself or through the Designated Purchaser.

Undertakings upon Completion

Upon the completion of any Purchase, the Company undertakes to:

- in the event that a Relevant Transferor is not the Issuer or the Subsidiary Guarantors, procure such Relevant Transferor to promptly on-lend or distribute in full the relevant portion of the Purchase Price, being an amount no less than the Shortfall Amount, to the Issuer or the Subsidiary Guarantors prior to any other use, disposal or transfer of the proceeds received; and

- promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the Purchase Price received by the Issuer or the Subsidiary Guarantors from the Company or, as the case may be, the relevant Purchaser or pursuant to any on-loan or distribution referred to in the preceding paragraph to be applied solely towards the payment in accordance with the Deed of Equity Interest Purchase Undertaking of any outstanding amounts as they fall due under Deed of Equity Interest Purchase Undertaking, the Guarantee, the Bonds and the Trust Deed, prior to any other use, disposal or transfer of the proceeds received.

General

The Company shall, and shall procure each Relevant Transferor to, use their respective best efforts to do all such things and take all such actions as may be necessary or desirable to (i) procure the completion of the Purchase on the relevant Purchase Closing Date within three months from the date of the Purchase Notice; and (ii) procure the remittance of the sum of the Purchase Price to or to the order of the Relevant Transferor(s)in accordance with the Deed of Equity Interest Purchase Undertaking.

The Purchase obligation under the Deed of Equity Interest Purchase Undertaking shall be suspended if, prior to the relevant Purchase Closing Date, each of the Company and the Issuer receives a notice in writing from the Trustee stating that all of the respective payment obligations of the Issuer and the Subsidiary Guarantors under the Bonds, the Guarantee and the Trust Deed have been satisfied as at the date of that notice, or that the Event of Default leading to the service of the Purchase Notice has been waived in accordance with the terms of the Trust Deed.

The Deed of Equity Interest Purchase Undertaking will not, and nothing therein contained and nothing done pursuant thereto by the Company (whether by itself or through the Designated Purchaser) shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by or any legal binding obligation of the Company of the payment of any obligation, responsibility, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Subsidiary Guarantors under the laws of any jurisdiction, including the PRC.

The Deed of Equity Interest Purchase Undertaking may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the Conditions and the Trust Deed. The Company may not assign its rights or transfer its obligations under the Deed of Equity Interest Purchase Undertaking, in whole or in part, without the prior written consent of the Trustee.

The Deed of Equity Interest Purchase Undertaking, as to which time shall be of the essence, and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deed of Equity Interest Purchase Undertaking and accordingly any legal action or proceedings arising out of or in connection with the Deed of Equity Interest Purchase Undertaking may be brought in such courts.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

*The Global Certificate contains provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions. Terms defined in the terms and conditions of the Bonds (the "**Conditions**" or "**Terms and Conditions of the Bonds**") set out in this Offering Circular have the meanings in the paragraphs below.*

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Notices: So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Meetings: For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US$1,000 in principal amount of Bonds for which the Global Certificate is issued.

Bondholder's Redemption: The Bondholder's redemption option in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

Issuer's Redemption: The option of the Issuer provided for in Conditions 6(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by that Conditions except that the notice shall not be required to contain the certificate numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required.

Transfers: Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation: Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

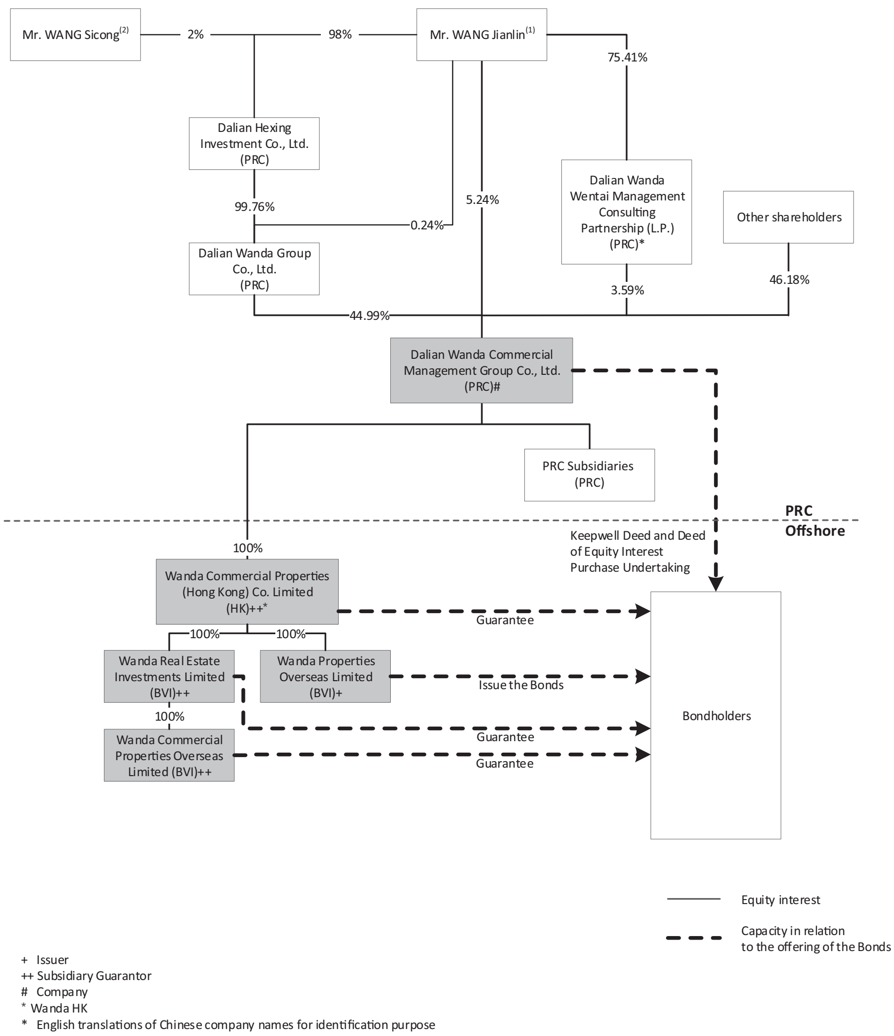
Trustee's Powers: In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

CORPORATE STRUCTURE

Our Company was incorporated with limited liability in the PRC in 2002.

We undertake our business primarily through our subsidiaries. Our interests in property development and property investment projects are primarily held through our subsidiaries in the PRC.

The following chart is a simplified organisation chart showing our principal shareholders, our corporate holding structure and our significant operating subsidiaries as at 31 December 2020, and indicates the Issuer and the Subsidiary Guarantors under the Bonds. We have prepared and provided this chart solely for the convenience of the reader and the chart necessarily omits certain details of our corporate structure. For more details on our subsidiaries, see note 1 to our financial statements as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular. Shaded boxes indicate the Company, which is the provider of relevant undertaking and support under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, the Subsidiary Guarantors and the Issuer of the Bonds.



Notes:

(1) As at 31 December 2020, Mr. WANG Jianlin (i) together with his son, Mr. WANG Sicong, directly and indirectly held in aggregate 100% equity interest in Dalian Wanda Group Co., Ltd., which in turn held 44.99% equity interest in our Company, and (ii) held 75.41% equity interest in Dalian Wanda Wentai Management Consulting Partnership (L.P.)*, which in turn held 3.59% equity interest in our Company. Mr. Wang Jianlin also directly held 5.24% equity interest in our Company.

(2) Mr. WANG Sicong is the son of Mr. WANG Jianlin.

DESCRIPTION OF THE ISSUER

History and Introduction

The Issuer was incorporated under the laws of the BVI on 15 October 2013. As at the date of this Offering Circular, it is authorised to issue a maximum of 10,000 shares of a single class each with a par value of US$1.00 and has one share in issue. The Issuer is a wholly-owned subsidiary of Wanda HK and, as at the date of this Offering Circular, carries on no business other than entering into arrangements for the issue of the 2019 (December) Guaranteed Bonds, the 2020 (January) Guaranteed Bonds and the Bonds and the lending of the net proceeds thereof to us. As at the date of this Offering Circular, the Issuer has no outstanding borrowings and has no contingent liabilities other than the issue of the 2019 (December) Guaranteed Bonds, the 2020 (January) Guaranteed Bonds and the Bonds. The Issuer is not required under the laws of the BVI to file, and does not propose to file, any of its interim or annual accounts. As at the date of this Offering Circular, the Issuer has no subsidiaries.

Management

The sole director of the Issuer as at the date of this Offering Circular is Mr. QI Jie.

The registered office of the Issuer is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Issuer has no employees.

DESCRIPTION OF WANDA HK

History and introduction

Wanda HK was incorporated under the laws of Hong Kong on 6 February 2013. As at the date of this Offering Circular, Wanda HK has one share in issue. Wanda HK is a direct wholly-owned subsidiary of the Company.

Wanda HK is an offshore investment and financing platform for the Company. It focuses on developing overseas financing channels, identifying profitable property development and investment opportunities that are in line with its development strategy, and steadily co-investing together with the Company in the commercial property sector.

As at the date of this Offering Circular, the key assets of Wanda HK were:

- its approximately 65% indirect equity interest in the Hong Kong Listco; and
- its 49% direct equity interest in the joint venture company which holds 100% equity interest in the Guilin Wanda Plaza Project.

Wanda HK also owns 100% direct equity interest in the holding company that used to hold the Los Angeles Project, which was disposed of on 16 November 2018. That holding company currently carries on no business and is under liquidation procedures.

Management

The sole director of Wanda HK as at the date of this Offering Circular is Mr. QI Jie.

The registered office of Wanda HK is at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong.

Wanda HK has four employees.

Acquisition and holding of the Hong Kong Listco

As at the date of this Offering Circular, Wanda HK, through the other Subsidiary Guarantors, which are its directly or indirectly wholly-owned subsidiaries, held an approximately 65% indirect equity interest in the Hong Kong Listco. The Hong Kong Listco is a company incorporated in Bermuda with limited liability and its shares are listed at the Hong Kong Stock Exchange (HKSE Stock Code: 169). Following the acquisition by Wanda HK of the Hong Kong Listco, the Hong Kong Listco changed its name from Hengli Commercial Properties (Group) Limited to Wanda Commercial Properties (Group) Co., Limited on 15 July 2013. In terms of positioning and development strategy, the Company, Wanda HK and the Hong Kong Listco entered into a memorandum of understanding under which the Company and Wanda HK pledged to continue to support the Hong Kong Listco and its subsidiaries, and to establish the Hong Kong Listco and its subsidiaries as a platform for the investment and operation of hotels under Wanda's brand names in overseas markets. Accordingly, the Hong Kong Listco changed its name to "Wanda Hotel Development Company Limited" on 19 September 2014.

The Hong Kong Listco and its subsidiaries are principally engaged in property development, property investment, hotel operation and management, hotel design and construction management services in the PRC and abroad. The Hong Kong Listco's main assets are its 51% indirect equity interest in Guilin Wanda Plaza Project. See "*– The Hong Kong Listco's property project in the PRC.*"

The Hong Kong Listco's property project in the PRC

Guilin Wanda Plaza Project

In February 2014, the Hong Kong Listco acquired a piece of state-owned land in Guilin, Guangxi Zhuang Autonomous Region, PRC with Wanda HK in the form of a joint venture, in which the Hong Kong Listco holds 51% and Wanda HK holds 49%. The Guilin Wanda Plaza Project is located in the central area of the Guilin High-tech Zone, with planned total GFA of approximately 330,000 sq.m., including 153,000 sq.m. of the shopping mall and 177,000 sq.m. of retail, residential and other properties for sale. The construction work of the Guilin Wanda Plaza Project has been completed, and the shopping mall opened in September 2015. With satisfactory commercial leases and operating conditions, the shopping mall has become a landmark business centre in Guilin.

The Hong Kong Listco's acquisition of Wanda Hotel Management

On 26 September 2017, the Hong Kong Listco and Wanda HK entered into a sale and purchase agreement, pursuant to which the Hong Kong Listco agreed to acquire the entire equity interest in Wanda Hotel Management (Hong Kong) Co. Limited ("**Wanda Hotel Management**") from Wanda HK at a consideration of HK$878 million (subject to downward adjustment) (the "**Acquisition**"). The Acquisition was completed on 31 December 2018. Wanda Hotel Management is a leading hotel services provider in China, 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.

DESCRIPTION OF THE COMPANY

Overview

We are a market leader in commercial property management and hotel operation with a strong market recognition of our brand name "Wanda" ("萬達"). Over the years, we have accumulated a wealth of project execution experience and strong management capabilities, which have led to the steady expansion of our commercial management business. We are

- the world's largest owner of commercial properties in terms of the total leasable floor area owned and managed by us, with 368 Wanda Plazas in operation and an aggregate GFA of approximately 52.8 million sq.m., including 36.1 million sq.m. of leasable floor area of shopping centres under our management as at 31 December 2020; and

- one of China's leading operators of luxury hotels in terms of the number of hotels operated in the PRC, operating 96 self-owned or third-party owned hotels as at 31 December 2020.

Our Wanda Plazas received approximately 3.8 billion, 4.3 billion and 3.6 billion guest visits for 2018, 2019 and 2020, which highlighted Wanda Plaza as a well-known brand with strong consumer recognition in China. Our rental collection rate has maintained at above 99.0% for 15 consecutive years from 2006 to 2020. We anticipate increasing rental income and management fees from management and operation of commercial properties.

As at the date of this Offering Circular, we conduct primarily the following businesses, namely:

(i) leasing and management of investment properties held by the Group for long-term investment or commercial properties owned by third parties;

(ii) operation of third-party owned and self-owned hotels; and

(iii) other business, primarily sale of yachts, management of properties sold, operation of the Group's research and design centres and institutes and other services.

During 2018 and 2019, we were also engaged in development and sale of properties, including commercial and residential properties. To implement our asset-light strategy, we decided to phase out our property development and sale business by transferring it outside of our Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had substantially completed the divestment of the entire business by the end of 2019. As a result, it was classified as discontinued operation in our consolidated financial statements for the relevant periods. We did not undertake any new asset-heavy property development project or conduct any sale of properties in 2020.

Our success is, to a large extent, attributable to our ability in business innovation which allows us to be proactive in responding to trends in the commercial property management, hotel operation and real estate markets. In light of the changing market conditions, we adopted an asset-light development strategy and have transformed ourselves from a property developer into an operator focusing on project execution and commercial management. Under this asset-light model, we introduce co-investors to collaborate on the development of Wanda Plazas. Depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land or, in certain cases, provide land, whereas we will be responsible for design, construction, leasing and operation of the relevant properties, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio.

As at 31 December 2020, we operated 98 Wanda Plazas developed under this asset-light model, including 19 Wanda Plazas developed as asset-light projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m., out of a total of 368 Wanda Plazas with an aggregate GFA of approximately 52.8 million sq.m. being operated by us.

In line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties. Through these strategic disposals, we expect to substantially reduce our leverage ratio and focus on, and generate stable and recurring income from, our commercial management and hotel operation business.

The table below sets forth a breakdown of our revenue from continuing operations by business segment for the periods indicated:

	For the year ended 31 December					
	2018		2019		2020	
	(CNY million)	(%)	(CNY million)	(%)	(CNY million)	(%)
Revenue						
Investment property leasing and management	30,007	87.1	34,929	87.8	35,764	92.3
Hotel operation	1,466	4.3	1,475	3.7	1,082	2.8
Others	2,974	8.6	3,365	8.5	1,893	4.9
Total	34,447	100.0	39,769	100.0	38,739	100.0

Impact of COVID-19

The outbreak of the COVID-19 pandemic that started in late 2019 had a significant impact on our business and operation. To support the business of Wanda Plaza tenants during the pandemic, we provided rent concessions to all tenants and waived their property management fees for the period from 25 January 2020 to 29 February 2020. We further deferred payments of rents and property management fees by some tenants that were experiencing financial difficulties and deferred payments for some of them to as late as the end of 2020. The rent concessions, waiver of property management fees and deferrals of payments resulted in a decrease in our revenue and profit of the segment of investment property leasing and management for 2020. During the pandemic, we conducted our hotel operations in compliance with local policies and strived to provide services to the public as usual. Nevertheless, the pandemic had an impact on our operation and financial results of the segment of hotel operation during 2020 due to significantly lowered occupancy rates.

Recent Developments

In connection with our restructuring, in March 2021, we established the subsidiary Zhuhai Wanda Commercial Management Co., Ltd.* ("**Zhuhai Wanda**")(珠海萬達商業管理股份有限公司) in Zhuhai, Guangdong province. As at the date of this Offering Circular, the Company has a shareholding of 99.0% in Zhuhai Wanda. Following the establishment of Zhuhai Wanda, the direct shareholder of Wanda Commercial Management changed from the Company to Zhuhai Wanda. Furthermore, in March 2021, Zhuhai State-owned Asset Supervision and Administration Commission ("**Zhuhai SASAC**") signed a cooperation agreement with the Company setting out its intention to make a strategic equity investment of CNY3 billion into Zhuhai Wanda.

As part of the restructuring of our Group, we have allocated our commercial management business to Zhuhai Wanda, which takes responsibility for the operation and management of all of our Wanda Plazas, including 368 in operation and 155 under construction as at 31 March 2021, as well as all the plazas under planning. Zhuhai Wanda aims to provide data support to the financial companies serving medium-, small- and micro-sized businesses at Wanda Plazas, big data services for Wanda Plazas, hotels, cinemas and cultural and tourism projects, and new energy, advertisement and other services to our customers. In collaboration with Zhuhai SASAC, we seek to further develop both our heavy- and light-asset platforms and take advantage of Zhuhai's business environment and development momentum. Zhuhai Wanda expects to leverage our resources and advantage in various industry chains and technological applications, make strategic investments and acquisitions, and incubate and attract technology companies and service providers with Zhuhai serving as the domicile for the new businesses. The Company also plans to establish an investment platform under the Company jointly with Zhuhai SASAC to facilitate our investment in commercial properties and financial products such as REITs, and help Zhuhai SASAC improve efficiency in using, and preserve the value of, its assets.

Competitive Strengths

We believe that the following competitive strengths have contributed to our success in the PRC commercial property management and hotel operation markets and will continue to secure our leading market position in these markets and lay a solid foundation for our commercial management and hotel operation business:

We have a leading position in the PRC commercial property management sector and enjoy substantial scale benefits and strong brand name recognition.

We are the world's largest owner of commercial properties in terms of the total leasable floor area owned and managed by us, with 368 Wanda Plazas in operation and an aggregate GFA of approximately 52.8 million sq.m., including 36.1 million sq.m. of leasable floor area of shopping centres under our management as at 31 December 2020. We are also one of China's leading operators of luxury hotels in terms of the number of hotels operated in the PRC, operating 96 self-owned or third-party owned hotels as at 31 December 2020. The total number of our hotel rooms in operation reached 20,796, 23,007 and 26,028 as at 31 December 2018, 2019 and 2020, respectively.

Our extensive operations and strong presence in a large number of cities throughout China have provided us with a well-versed familiarity with the markets and business conditions in the regions where we operate, while our industry expertise has enabled us to design and offer products that satisfy local market demand and effectively manage our own investment properties and third-party owned properties. We believe our large operational scale also provides us with in-depth insight and understanding about market trends and greater control over rental pricing of our investment properties. Our Wanda Plazas received an aggregate of approximately 3.8 billion, 4.3 billion and 3.6 billion guest visits for 2018, 2019 and 2020, respectively, which highlighted Wanda Plaza as a well-known brand with strong consumer recognition in China.

Our investment properties generate a significant amount of rental income which serves as a stable source of our revenue and cash flows.

Our commercial management business has been a stable contributor of our revenue growth and also generates a significant amount of rental income and stable cash flows. Revenue from our investment property leasing and management increased from CNY30,007 million for 2018 to CNY34,929 million for 2019 and further to CNY35,764 million for 2020.

In light of the changing dynamics of the PRC real estate market, we adjusted our strategy in 2014, gradually increased the revenue contribution by our commercial management business and improved our income quality and eventually discontinued our property development and sale business in 2020. For 2018, 2019 and 2020, our average rental rate was approximately CNY110.6/sq.m./month, CNY111.32/sq.m./month and CNY97.07/sq.m./month, respectively. The decrease in 2020 was primarily due to the rent concessions and waiver of property management fees for the period from 25 January to 29 February 2020, which were provided to the tenants of all Wanda Plazas in support of their business during the COVID-19 pandemic. Our investment properties had also consistently achieved a high average occupancy rate of 99.39%, 99.30% and 97.80% for 2018, 2019 and 2020, respectively. Our rent collection rate has maintained at over 99.0% for 15 consecutive years from 2006 to 2020. We believe the continuous growth of our commercial management business will enable us to improve our overall profitability and achieve sustainable development.

We possess strong and effective commercial management capabilities.

We have a prominent commercial management team responsible for managing our large-scale investment properties. Our core commercial management team possesses a wealth of experience and strong management capabilities, which have led to the steady expansion of our commercial management business.

We have developed an innovative order-driven management model (訂單模式), under which we typically begin to obtain preleasing commitments prior to the commencement of construction of a shopping centre. We collaborate with our tenants to seek their input and learn about their technical requirements in order to produce a detailed blueprint laying out the strategic positioning of individual stores and the overall tenant mix. In particular, we customise store designs based on our anchor tenants' specific needs. Such pre-agreed designs are applied to the construction of a Wanda Plaza, which not only satisfies our anchor tenants' technical requirements for their stores, but also reduces the time required by the anchor tenants to modify and renovate their stores and ensures that our project will be developed on schedule. By fully understanding our tenants' needs and allowing them to customise their rental spaces in our shopping centres during the preleasing stage, we have been able to maintain consistently high occupancy rates at 99.39%, 99.30% and 97.80% for 2018, 2019 and 2020, respectively. After commencement of operations, we continue to support our tenants by actively attracting foot traffic to our shopping centres through various promotional programmes. These tenant-oriented services and mutually-beneficial promotional activities serve to instill confidence in our current and potential tenants for our properties and enable us to develop mutually supportive relationships and the business dynamics between us and our tenants.

We have built a high-quality and diverse tenant pool of domestic and international brands, with whom we enjoy long standing relationships. Among our strategic partners are over 2,000 of the world's most influential brands, including globally recognised names such as UNIQLO, ZARA, Watsons, Starbucks and Nike. We are also a top offline partnership choice for domestic brands such as GXG (慕尚), Peace Bird (太平鳥) and Heilan Home (海瀾之家). We are also one of the largest domestic partners of approximately 100 Chinese food and beverage enterprises. We believe that the scale and brand-recognition of our Wanda Plazas and tenants enable us to attract a significant amount of consumer traffic and that our ability to attract high-quality tenants across a wide spectrum of industries not only enhances the attractiveness of Wanda Plazas but also provides us with a competitive advantage when tendering for new sites, as local governments typically prefer developers that can demonstrate a track record of introducing prominent tenants and brands to the area.

We have outstanding execution capabilities in terms of commercial property management, which facilitates our successful transformation to an asset-light commercial management company.

We have established a comprehensive operation system to ensure prudent business planning and effective execution in terms of designing, operating and managing commercial property projects, which lays the foundation for our successful transformation to an asset-light commercial management company. Our outstanding commercial management expertise, strong in-house planning and design ability, outstanding execution capacity, stringent quality control procedures, sophisticated brand bank management model and comprehensive know-how base enable us to rapidly expand and grow our business operations throughout China.

Supported by our systematic and disciplined management approach, we have been able to maintain a consistent pace of expansion by effectively adhering to project schedules and thus being able to attract partners or co-investors to enter into cooperation with us in developing projects under the asset-light model. For each Wanda Plaza project, we seek to commence the operation of a shopping centre within 24 months from the time of the land acquisition, and to commence hotel operations within 36 months from the land acquisition.

For 2018, 2019 and 2020, we completed and commenced operation of 49, 43 and 45 Wanda Plazas, respectively, of which 18, 29, and 18 Wanda Plazas were completed under our asset-light model, respectively. As at 31 December 2018, 2019 and 2020, we operated 280, 323 and 368 Wanda Plazas in total, respectively. As at 31 December 2020, we operated 368 Wanda Plazas, with an aggregate GFA of approximately 52.8 million sq.m., of which 98 Wanda Plazas were developed under our asset-light model, including 19 Wanda Plazas developed as light-asset projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m.

Our proven track record of successful execution and our ability to ensure the delivery and commencement of our projects on a timely basis are well recognised by our tenants, customers, suppliers and government authorities, and as a result, forms the basis for our ability to maintain strong and long-term relationships with these parties and further accelerate the expansion of our investment properties portfolio under our asset-light model.

We have developed a synergistic relationship with, and benefit from support from, our parent company.

We benefit from synergies generated from the various business lines of, or affiliated to, our parent company, Wanda Group, which is indirectly controlled by Mr. WANG Jianlin, the chairman of Wanda Group. Wanda Group operates different business lines, including cinema lines, department stores and entertainment and recreational business. We and Wanda Group are able to enjoy a synergistic relationship where both parties are able to leverage on their respective strengths in order to achieve mutual support and growth. Our shopping centres and other investment property projects provide prime venues for Wanda Group to operate its cinema lines, department store business, entertainment and recreational businesses such as karaoke bars and children's entertainment centres. By integrating products and services offered by Wanda Group, we will be able to enhance the overall attractiveness of our properties as well as meet consumers' needs. Benefiting from the synergistic relationship, Wanda Group's department stores, cinemas and karaoke bars have become anchor tenants in Wanda Plazas and serve as stable sources of our rental income. Wanda Group also maintains a "Wanda" membership system to allow us and its other businesses to share customer resources. Our Directors believe that the synergistic effects achieved through the businesses operated by Wanda Group will support our long-term growth and consistent development.

We have a strong cash position and diversified financing channels.

We have a strong cash position. As at 31 December 2018, 2019 and 2020, we had cash and cash equivalents of CNY77,362 million, CNY64,761 million and CNY40,648 million, respectively. We have established diversified financing channels, including issuance of corporate bonds, medium-term notes and commercial mortgage-backed securities, which enable us to optimise our debt structure and decrease our financing costs. For example, we completed three bond offerings in the offshore markets in January 2014, December 2019 and January 2020, respectively, raising a total of US$1.4 billion. As at 31 December 2018, 2019 and 2020, the aggregate principal amount of our medium-term notes outstanding in the PRC bond markets amounted to approximately CNY51.8 billion, CNY39.9 billion, CNY29.9 billion, respectively, with interest rates ranging from 3.4% to 5.58% per annum. Our Group has maintained long-standing business relationships with most of the major commercial banks in China, such as Bank of China. In addition, after the disposal of selected asset-heavy projects in the relevant financial periods, we substantially improved our cash position and reduced our leverage ratio, which has strengthened our ability to pay our debts when they are due and the sustainability of our business.

Prominent ultimate substantial shareholder and excellent management team – Mr. WANG Jianlin, our ultimate substantial shareholder, is an influential industry leader, and we have an experienced and visionary management team.

Our ultimate substantial shareholder, Mr. WANG Jianlin, is an influential industry leader with years of experience in the PRC real estate industry. With a strong entrepreneurial spirit and foresight, Mr. WANG Jianlin is committed to reshaping management professionalism and dynamics and cultivating the core of workplace culture that encourages dedication and collaboration in China. Our senior management team has many years of experience in commercial management and hotel operation. Many members of our senior management team also have extensive experience and expertise in other industries, including, but not limited to, financial services, construction, financing and consulting. This diversity of knowledge and expertise has helped us form a broad strategic version to further our growth. We believe that, with leadership of an experienced and highly effective management team and support from our ultimate substantial shareholder, we are well-positioned to achieve sustainable long-term growth.

We have adopted multiple information technology systems to effectively manage our large-scale business operations and improve our operational efficiency.

We have adopted highly sophisticated and modularised IT systems that were tailored to support our business needs and rapid development. For example, our Huiyun management system is instrumental in managing our large-scale commercial property leasing business. It provides a centralised platform for monitoring, controlling and managing various aspects of our business operations, which has resulted in overall increased operational stability and dependable performance of our investment properties. Our Huiyun system is also able to collect and process the store performance data (such as transaction volumes and amounts) and analyse and determine the popularity of each store and spending patterns of consumers in our shopping centres, which allows us to evolve our investment property portfolio and adjust our tenant mix. We have also adopted a technological advanced office automation system capable of multiple functions in our daily business operations, which greatly improved our operational efficiency. Since 2012, we have utilised an online tender process to select suppliers in connection with our direct procurement of materials and equipment. More recently, in order to support development of our asset-light Wanda Plaza projects, we integrated BIM technology into our "General Turnkey Contracting Mode" in 2015, which allows the developer, the design contractor, the engineering contractor and the engineering supervisor to manage the projects on the same platform in an innovative mode known as "led by management, coordinated and synchronised, uniform management mode". We believe these advanced technology systems enable us to effectively monitor and manage every aspect of our large-scale business operations, reduce our operational costs and significantly improve our operational efficiency.

Business Strategies

We will continue our effort to be or remain the largest operator of commercial properties in terms of the aggregate GFA managed and operated by us, and we will also continue to implement our asset-light strategy. We intend to utilise the following key strategies to grow our business and expand our operations:

We intend to expand our commercial property portfolio and aim to build China's largest network of urban consumption facilities and urban commercial platforms.

Leveraging our nationwide coverage of Wanda Plazas and our early mover advantages in the commercial property sector, we plan to continue to capitalise on China's economic growth and expand our operations in economically developed cities and in third- and fourth-tier cities with growth potential. To capture market opportunities, we will conduct market research and monitor government policies to ensure that our business development plans are in line with market demand and industry development trends. We will also continue to utilise our standardised and replicable management methodologies to effectively and rapidly expand our business and enter into new cities as attractive opportunities arise. Moreover, by chiming with the development of China's finance market and drawing on international experiences, we intend to continue to deploy the asset-light development model, so as to further accelerate the expansion of our commercial property portfolio and enlarge our market share in China's key retail markets. We actively seek potential opportunities in new cities for building Wanda Plazas and Wanda Cities, which we believe will increase the barriers to entry of other commercial properties owners and operators and enhance our competitiveness in local markets. Subject to market conditions, we aim to commence the operation of 50 or more new Wanda Plazas every year in the next few years with a substantial number of them being developed under the asset-light model, provided that adequate land supply can be acquired to sustain this planned growth. Further, we seek our expansion in hotel operations that aligns with the market demand in upscale or above hotels in second- and third-tier cities in China.

Through continuous expansion of our commercial property portfolio, we aim to build China's largest network of urban consumption facilities and urban commercial platforms which provide consumers with one-stop shopping, entertainment and leisure experiences based on a series of services, including catering, retail, entertainment and other lifestyle-related services. By implementing this expansion strategy, we expect to generate long-term and stable recurring income, balance our investment property portfolio, reduce the pressure of replenishing our land reserves, and strengthen our resilience against market and policy volatilities.

We intend to further explore and enhance our asset-light development strategy to strengthen our competitive advantage and market position in commercial property management.

We initiated an asset-light development strategy in 2015 and introduced an asset-light model for the development of Wanda Plaza projects by capitalising on our capabilities in development, operation and management of commercial properties and our strong brand followings. Under this co-investment model, depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land or, in certain cases, provide land, whereas we will be responsible for land acquisition, design, construction, leasing and operation, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio. Asset-light Wanda Plaza projects are well received by our business partners or co-investors.

We believe this asset-light model not only reduces our leverage ratio, but also enhances our competitive advantage in obtaining land in our target cities. Of the 45 new Wanda Plazas that opened for business in 2020, 27 were completed under the asset-light model. As at 31 December 2020, we operated 98 Wanda Plazas developed under this asset-light model, including 19 Wanda Plazas developed as asset-light projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m.

We have also undertaken a series of corporate restructuring activities to further our business development strategy. As at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China. By the end of 2020, we had completed the transfer to R&F of our equity interests in 72 subsidiaries engaged in hotel operation with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021, and completed the divestment of our interests in all of our overseas projects to third parties. By the end of 2019, we had substantially completed the divestment of our property development and sale business to Wanda Properties. We believe that, through these strategic disposal transactions, we will be able to substantially reduce our leverage ratio and focus on, and generate stable and recurring income from, our commercial management and operation services and hotel management services.

We intend to further explore and enhance our asset-light development strategy in order to optimise and balance a number of key business objectives, including a high return on equity, stable cash flow and prudent capital structure amid sound and rapid expansion. We completed the divestment of our property development and sale business in 2020, and expect to further reduce our leverage ratio and derive the majority of our income from operation and management of Wanda Plazas and other commercial properties. Moreover, through the asset-light development strategy, we will be able to diversify our sources of financing and alleviate our funding pressure. Furthermore, with the implementation of this strategy, we are also able to greatly capitalise on our advantages in management of commercial properties and continue to strengthen our leading market position in commercial property management.

We intend to continue to proactively enhance our commercial management capabilities.

In addition to expanding our business operations and geographic coverage, we will continue to strengthen and enhance our commercial management capabilities. In this regard, we will continue to fine-tune our performance assessment system to improve our investment decision-making process and will also establish performance indicators to analyse our rates of return on rental income and investments. We will renovate our existing properties in order to increase the property value as well as their appeal to potential tenants and customers. Such asset enhancement efforts will also strengthen our brand image and enable us to maintain our reputation as an operator of high-quality properties. Lastly, we will utilise data analysis to analyse the performance of individual tenants in order to optimise our tenant mix and will make any adjustments to our leasing strategy accordingly. We also analyse consumer behaviour through the data we generate from our technology system as an additional parameter to determine our optimal commercial management strategy. For example, we collect data on the overall consumer traffic flow at each Wanda Plaza as well as the number of visitors at each individual store in order to better determine store positioning and design layout strategies for optimal store performance. By actively enhancing our commercial management capabilities, we will ensure that our properties are aligned with market demand and are relevant to consumer demand, which will, in turn, enable us to achieve sustainable and long-term growth and development and lay a solid foundation for the implementation of our asset-light development strategy.

We also aim to provide more value-added services and tools to customers, such as online movie ticket booking and Wanda consumer cards that can be used in all Wanda department stores nationwide. We employ top talents specialised in shopping centre management, commercial properties management, electromechanical equipment management and safety management. We are researching and developing more innovative management methods and will continue to place more emphasis on operations and management moving forward.

We intend to continue to attract, motivate and cultivate management talent and personnel to support our operations.

We believe that proper talent management is the foundation for our successful long-term development. We greatly value our employees and will continue to attract, cultivate and retain talent through our internal training programmes. We recruit both domestic and international talent, with an emphasis on recruiting top international talent, in order to create a well-rounded work force with a diversity of backgrounds. Our Wanda Institute provides training programmes and essential learning tools with a view to cultivating top-tier management talent in the commercial properties and commercial management industries. Similarly, we also seek to diversify and enhance our incentive mechanisms to better align the interests of management, employees and the Company. We believe that with a strong reputation for excellence and a talented and dedicated workforce, we are well-positioned to grow our operations rapidly and smoothly.

We intend to utilise advanced network technologies to develop O2O business.

Leveraging our nationwide coverage of Wanda Plazas, we believe we possess unique resources and advantages in developing online to offline ("**O2O**") business. We jointly established Wanda E-commerce with our parent company, Wanda Group, in 2014 with an ambition to build the biggest O2O business platform and promote integration of online and offline shopping experience. Our information infrastructure provides WIFI in our shopping centres as well as online services relating to consumers' offline shopping experience such as parking, store locating, queueing and movie ticketing services. Moreover, it also provides a shared membership system for all shopping centres operated by us, allowing consumers to collect member points when they go shopping in any of our shopping centres.

With the support of this e-commerce platform, we believe that we can exploit insights into consumer behaviour and collect in-depth customer intelligence to form an informed basis for our continuous optimisation of business operations and improvement of our operational efficiency. Furthermore, we expect that tenants of our investment properties will be able to further explore consumer resources and better understand customer needs to enhance the consumer consumption experiences, which will, in turn, strengthen our business relationships with our tenants and further solidify customer loyalty. We build our own smart cloud to integrate technology and information, develop our own store management systems, such as our proprietary fire alarm system and facial recognition system, and facilitate strategic cooperation with our major business partners, such as Suning, both online and offline. We also intend to explore new business modes to combine offline commercial platforms with internet finance. In January 2018, we entered into strategic cooperation agreements with four large PRC-based companies, including Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司)(currently Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司)) and Sunac to collaboratively build an integrated offline and online "New Consumption" business model in the PRC. In May 2019, the first "Smart Square" pilot project in the PRC jointly undertaken by Wanda and Tencent debuted at the Wanda Plaza in Beijing Fengtai Science and Technology Park. As our first project to implement plaza digitization, it has integrated our strong intellectual properties, interaction among multiple intelligent devices and analysis of underlying shopping data to provide more precise and comfortable shopping experience to our customers. We believe our O2O business platform and "physical commerce + internet" strategy can boost the upgrade of our business model, enhance our customer loyalty and further consolidate our market position in the commercial management industry.

We intend to reduce the environmental impact of our operations and increase our energy conservation and other environmental protection efforts.

We are committed to reducing the environmental impact of our operations and promoting environmental sustainability. Many of our properties were granted "Green Label" by the Ministry of Housing and Urban-Rural Development in recognition of their environmentally friendly design and functions. We intend to increase our efforts to expand our business with minimal environmental impact going forward by designing and managing our projects based on long-term energy savings and efficiencies. In addition, we will continue to take action to reduce our energy consumption and carbon emissions with a commitment to a more sustainable growth environment. We believe that our environmental protection efforts will increase the competitiveness of our properties as global environmental awareness grows and as more consumers begin to realise the benefits of energy-efficient homes and buildings.

History and Development

The Company is the sole commercial management platform of its parent company, Wanda Group, which is indirectly controlled by Mr. WANG Jianlin, the chairman of Wanda Group. Wanda Group is a conglomerate with diversified businesses in commercial property management, cultural industry-related business, real estate and investment. Wanda Group's cultural industry-related business includes cinema operation, film and television productions, stage performing arts, film technology and entertainment, theme parks, entertainment chain, newspapers and media. We are expected to increase rental income and management fees from operation of commercial properties and perform the primary responsibility of sustaining Wanda Group's profit growth.

The following are the significant business developments and milestones of our businesses:

Year	Key Events
1988	• Our business commenced through participation in the redevelopment of urban areas in the PRC, which laid down a solid foundation for our business

Year	Key Events
1993	• One of the earliest real estate companies engaged in cross-region operations in China
2002	• The first generation Wanda Plaza opened, which was a single commercial building
	• Our predecessor was established, which provided a clear and independent platform for the future development of our business
2003	• The second generation of Wanda Plaza opened, which was a mixed-use commercial complex which typically comprises three to five buildings connected via an outdoor pedestrian street
2006	• The third generation of Wanda Plaza opened, which was a large-scale, mixed-use integrated complex which typically comprises a shopping centre with indoor walkways, office buildings and residential buildings, and often includes hotels
	• Our business expanded into the development and operation of luxury hotels
2008	• Our headquarters were relocated to Beijing, the capital city of China 2009
	• Our Company was incorporated
2012	• We opened six self-operated hotels under our own brand
2013	• We acquired an approximately 65% interest in the Hong Kong Listco
	• We acquired a property in London, our first overseas property project
	• Construction of the first "Wanda City" commenced in Harbin
	• We first tapped into the international financial markets via the issuance of US$600 million bonds due 2018
2014	• We became listed on the Hong Kong Stock Exchange
	• We established Wanda E-commerce with the ambition to build the biggest O2O business platform
2015	• We initiated the asset-light strategy and asset-light model to accelerate the development of Wanda Plazas with the aim to extend coverage to all cities in China
	• We successfully issued the first 5-year (3+2) CNY5 billion corporate bonds in China, which laid a solid foundation for our fund-raising within the onshore capital market
2016	• Wanda Group successfully completed a voluntary conditional general offer to acquire all its issued shares listed on the Hong Kong Stock Exchange and we became delisted from the Hong Kong Stock Exchange

Year	Key Events
2017	• In line with our asset-light strategy, we entered into agreements to dispose of 91% equity interest in our 14 project companies holding 13 cultural and tourism projects in the PRC and 100% equity interest in our 73 hotels and an office building of Dalian Wanda Commercial Centre
2018	• In line with our asset-light strategy, we entered into agreements to dispose of our interests in London Project and an Australian company holding interests in Gold Coast Project and Sydney Project. The disposals were completed within the year
	• We entered into strategic cooperation agreements with four large PRC-based companies to build an integrated offline and online "New Consumption" business model in the PRC
	• The Company changed its name from Dalian Wanda Commercial Properties Co., Ltd.(大連萬達商業地產股份有限公司) to Dalian Wanda Commercial Management Group Co., Ltd.(大連萬達商業管理集團股份有限公司)
	• Through an internet technology joint venture, we sought to integrate both online and offline consumption and drive online traffic through Tencent's social platforms, including WeChat
	• We disposed of 14 domestic subsidiaries to Wanda Properties and four domestic subsidiaries to independent third parties
	• We disposed of our remaining 9% equity interest in 14 project companies holding 13 cultural and tourism projects to Sunac
2019	• We disposed of 11 more domestic subsidiaries to Wanda Properties and our entire interest in one domestic subsidiary and 70% interest in another domestic subsidiary to independent third parties
	• Our first "Smart Square" pilot project in the PRC jointly undertaken by the Group and Tencent debuted at the Wanda Plaza in Beijing Fengtai Science and Technology Park
	• The 2019 Wanda Annual Commercial Convention, jointly organized by the Group and Tencent, was held in Beijing
	• Wanda Commercial Research Institute was invited by the Ministry of Industry and Information Technology to participate in the research and development of the national major special project "Industry Internet Innovation and Development Project in 2019 – BIM Platform Construction" Wanda Commercial Research Institute undertakes the work of "Development of Digital Standards and Application Tools in the Construction Industry" in this project
	• On 13 December 2019, the Hong Kong Listco entered into an agreement to dispose of its interest in Amazing Wise Limited, which indirectly holds 100% interest in Hengli City Project, to Zhizun Holdings Limited, the other shareholder of Amazing Wise Limited. The disposal was completed on 27 December 2019

Year	Key Events
	• In December 2019, we entered into agreements with China South City Group (華南城集團) to design, build and operate the Shenzhen Longgang Wanda Plaza (深圳龍崗萬達廣場), which is expected to become the first fourth generation Wanda Plaza upon its completion
	• We had substantially completed the phase-out of our property sale business by the end of 2019 and transformed ourselves from a property developer into an operator focusing on project execution and commercial management
2020	• All 324 Wanda Plazas, located in 201 cities in China, resumed operation by 8 April after experiencing nationwide business interruptions due to COVID-19
	• In July, approximately 5,000 smart screen terminals provided by Shanghai Beyond Science Co., Ltd. (上海丙晟科技有限公司) were installed in Wanda Plazas across the country, which marked the beginning of digitalization of Wanda Plazas and significant upgrade of our digital payment systems
	• In September, we held the business solicitation convention at Shenzhen Longgang Wanda Plaza, which is a fourth generation Wanda Plaza scheduled to open for business in June 2021
	• On 2 December, we received the award of "The Advanced Collective of the Commercial and Trade Circulation Service Industry of China" ("全國商貿流通服務業先進集體") from the Ministry of Human Resources and Social Security and China General Chamber of Commerce
	• By the end of the year, we completed the divestment of remaining property development and sale business to Wanda Properties
2021	• In January, we obtained the ISO Certificate of Sustainable City of Development, Operation and Management, the first certification of its kind in the world
	• In connection with our restructuring, in March, we established the subsidiary Zhuhai Wanda (珠海萬達商業管理股份有限公司) in Zhuhai, Guangdong province and signed a cooperation agreement with Zhuhai SASAC setting out its intention to make a strategic equity investment of CNY3 billion into Zhuhai Wanda
	• 42 Wanda Plazas (out of a total of 144 awardees in the PRC) were listed as "Green Shopping Malls of 2020" by the Ministry of Commerce of the PRC

General Description of Our Major Product Lines

Wanda Plaza

Our core product line is Wanda Plaza, which has gone through three generations of upgrading over the past decade or so. A third-generation Wanda Plaza is generally located in urban centres and central areas of newly developed districts and districts with urbanisation potential and typically consists of one shopping centre operated by us, office buildings, SOHO and residential buildings, and often includes a luxury hotel. Core tenants of shopping centres in Wanda Plazas usually include high-end commercial stores, supermarkets, electronic stores, cinemas, chain restaurants and children's playgrounds to meet shopping and entertainment needs and accordingly generate and maintain foot traffic. These Wanda Plazas are located in 189 prefecture-level cities, or approximately 50% of the cities at this level in China. We expect to further expand the operation of Wanda Plazas to the rest areas of the country.

In December 2019, we entered into agreements with China South City Group (華南城集團) to design, build and operate the Shenzhen Longgang Wanda Plaza (深圳龍崗萬達廣場), which is expected to become the first fourth-generation Wanda Plaza upon its completion. In September 2020, we held business solicitation convention at Shenzhen Longgang Wanda Plaza, which is scheduled to open for business in June 2021. The fourth generation Wanda Plaza is expected to further integrate various services to provide consumers with comprehensive solutions in meeting their consumption needs for tourism and cultural activities, socialization, everyday life and leisure.

As at 31 December 2018, 2019 and 2020, we operated 280, 323 and 368 Wanda Plazas, respectively, and received an aggregate of approximately 3.8 billion, 4.3 billion and 3.6 billion guest visits for 2018, 2019 and 2020, respectively. Sales for 2018, 2019 and 2020 amounted to CNY216.3 billion, CNY259.0 billion and CNY238.0 billion, respectively.

In 2018, 2019 and 2020, we completed and commenced operation of 49, 43 and 45 Wanda Plazas, respectively. As at 31 December 2020, we operated 368 Wanda Plazas, with an aggregate GFA of 52.8 million sq.m., of which 98 Wanda Plazas, with an aggregate GFA of 12.5 million sq.m., were developed under our asset-light model, including 19 Wanda Plazas developed as asset-light projects and 79 Wanda Plazas developed as cooperative projects.

Wanda City

In 2013, we pioneered the development of a new product line, Wanda City. Wanda City features local cultural or tourism themes with the aim of developing itself into a tourist spot by providing rich entertainment and retail services. Wanda Cities are generally located in areas with distinct natural features, tourism resources or cultural heritage in selected strategic cities and tourist hot spots. In addition to the commercial, residential and hotel components and entertainment facilities generally available in Wanda Plazas, the Wanda City product line includes cultural or tourism components such as buildings with traditional architectural style of the local area, live show theatres, movie studio complexes, amusement arcades with local cultural and historical characteristics or vacation facilities such as ski resorts. We aim to transform Wanda Cities into activity hubs for the local population with these attractions and features. Ultimately, we aim for Wanda Cities to become symbols of urban life, centres for cultural enrichment and world-class tourist destinations. In line with our asset-light strategy, as at 30 June 2019, we had completed the transfer to Sunac of our entire interests in 14 project companies holding 13 cultural and tourism projects in China.

Our Principal Business Segments

During 2018, 2019 and 2020, our continuing operations comprised the following business segments:

(i) leasing and management of investment properties held by the Group for long-term investment and commercial properties owned by third parties;

(ii) operation and management of self-owned or third-party owned hotels; and

(iii) other business, primarily sale of yachts, management of the properties sold, operation of the Group's research and design centres and institutes and other services.

During the relevant periods prior to 2020, we also conducted the business of property development and sale of properties, including office buildings, SOHO, shopping malls and residential units. To implement our asset-light strategy, we decided to phase out the business by transferring it outside of our

Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had substantially completed the divestment of such business by the end of 2019.

The table below sets forth a breakdown of our revenue from continuing operations by business segment for the periods indicated:

	For the year ended 31 December					
	2018		2019		2020	
	(CNY million)	(%)	(CNY million)	(%)	(CNY million)	(%)
Revenue						
Investment property leasing and management	30,007	87.1	34,929	87.8	35,764	92.3
Hotel operation	1,466	4.3	1,475	3.7	1,082	2.8
Others	2,974	8.6	3,365	8.5	1,893	4.9
Total	34,447	100.0	39,769	100.0	38,739	100.0

As at 31 December 2020, the GFA of our self-owned properties amounted to approximately 40.7 million sq.m., including approximately 40.3 million sq.m. of Wanda Plazas and approximately 0.4 million sq.m. of hotel spaces. The GFA of the asset-light and cooperative projects we were undertaking amounted to approximately 17.6 million sq.m. The total GFA of hotel spaces owned by third parties but operated by us amounted to approximately 3.3 million sq.m. The total GFA of the properties we operated amounted to approximately 56.5 million sq.m.

Impact of COVID-19

The outbreak of the COVID-19 pandemic that started in late 2019 had significantly impacted a number of industries in China, including wholesale and retail, hospitality and catering, and culture and tourism industries. As one of the largest enterprises with a focus on offline business, we took severe hits during the pandemic. To support the business of our Wanda Plaza tenants during the pandemic, we provided rent concessions to these tenants and waived their property management fees for the period from 25 January 2020 to 29 February 2020. We further deferred payments of rents and property management fees by the tenants that were experiencing financial difficulties. Some of such payments were even deferred to the end of 2020.

The rent concessions and waiver of property management fees, aggregating over CNY4 billion, and deferrals of payments of rents and property management fees resulted in a decrease in our revenue and profit of the investment property leasing and management segment for the year. The pandemic also resulted in a decrease in cash flow generated from operating activities and an increase in our borrowings. Guest visits decreased significantly during the year and most Wanda Plaza tenants experienced wide fluctuations and uncertainties in their business and operations.

Commercial Management – Investment Properties Leasing and Management

During 2018, 2019 and 2020, we held and operated a large portion of the properties developed by us under the traditional heavy-asset model for long-term investment purposes. We primarily leased and managed retail spaces in our shopping centres at Wanda Plazas and an insignificant portion of office spaces. As at 31 December 2018, 2019 and 2020, the total GFA of our operating investment properties was approximately 41.5 million sq.m., 47.2 million sq.m. and 40.3 million sq.m., and the total leasable floor area of our operating investment properties was approximately 28.1 million sq.m., 32.1 million sq.m., and 27.2 million sq.m., respectively. During 2018, 2019 and 2020, we undertook some of our development projects in the asset-light model and introduced co-investors to collaboratively develop Wanda Plazas. Depending on the pre-negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and land acquisition or, in certain cases, provide land, whereas we will be responsible for design, construction, leasing and operation, as well as land acquisition where the co-investors do not provide land. We and our co-investors will also share rental income based on a negotiated ratio. We had substantially completed the divestment of our property development and sale business by the end of 2019 and did not undertake any new asset-heavy property development project or conduct any sale of properties in 2020. As at 31 December 2020, we operated 98 Wanda Plazas developed under such asset-light model, including 19 Wanda Plazas developed as light-asset projects and 79 Wanda Plazas developed as cooperative projects, with an aggregate GFA of approximately 12.5 million sq.m.

The following table sets out certain operating data of our operating investment properties portfolios for the periods indicated:

	For the year ended 31 December		
	2018	**2019**	**2020**
Total GFA ('000 sq.m.)	41,476.3	47,155.2	52,825.1
Total leasable floor area ('000 sq.m.)	28,109.3	32,099.7	36,070.0
Average Rent (CNY/sq.m./month)(1)	110.60	111.32	97.07

Note:

(1) Average rent = revenue from investment property leasing and property management/(number of operating days × total leased area) × 365 days/12 months (before business tax). The decrease in 2020 was primarily due to the rent concessions and waiver of property management fees for the period from 25 January to 29 February 2020, which were provided to the tenants of all Wanda Plazas in support of their business during the COVID-19 pandemic.

Our operating investment properties primarily comprise shopping centres. The table below sets forth a summary of the shopping centres operated by us as at 31 December 2020:

No	Project Name(1)	Date of commencement of business	GFA ('000 sq.m.)
Asset-heavy projects(2)			
1	Changchun Chongqing Road Wanda Plaza (長春重慶路萬達廣場)	January 2003	47.1
2	Nanchang Bayi Wanda Plaza (南昌八一萬達廣場)	August 2003	36.3
3	Qingdao Taidong Wanda Plaza (青島台東萬達廣場)	September 2003	38.6
4	Ningbo Yinzhou Wanda Plaza (寧波鄞州萬達廣場)	December 2006	260.6
5	Shanghai Wujiaochang Wanda Plaza (上海五角場萬達廣場)	December 2006	250.3
6	Beijing CBD Wanda Plaza (北京CBD萬達廣場)	December 2006	103.3
7	Harbin Xiangfang Wanda Plaza (哈爾濱香坊萬達廣場)	October 2007	120.5
8	Chengdu Jinhua Road Wanda Plaza (成都錦華路萬達廣場)	December 2007	228.5
9	Xi'an Lijiacun Wanda Plaza (西安李家村萬達廣場)	May 2008	131.4
10	Beijing Shijingshan Wanda Plaza (北京石景山萬達廣場)	December 2008	136.7
11	Suzhou Pingjiang Wanda Plaza (蘇州平江萬達廣場)	September 2009	157.4
12	Shanghai Zhoupu Wanda Plaza (上海周浦萬達廣場)	September 2009	163.1
13	Shenyang Taiyuan Street Wanda Plaza 1 (瀋陽太原街萬達廣場一期)	November 2009	68.7
14	Qingdao CBD Wanda Plaza (青島CBD萬達廣場)	November 2009	159.8
15	Chongqing Nanping Wanda Plaza (重慶南坪萬達廣場)	December 2009	126.8
16	Nanjing Jianye Wanda Plaza (南京建鄴萬達廣場)	December 2009	204.0
17	Xi'an Minleyuan Wanda Plaza (西安民樂園萬達廣場)	December 2009	145.7
18	Luoyang Wanda Plaza (洛陽萬達廣場)	December 2009	96.2
19	Shenyang Tiexi Wanda Plaza (瀋陽鐵西萬達廣場)	August 2010	156.9
20	Wuxi Binhu Wanda Plaza (無錫濱湖萬達廣場)	September 2010	162.9
21	Changchun Hongqi Street Wanda Plaza (長春紅旗街萬達廣場)	October 2010	152.0
22	Baotou Qingshan Wanda Plaza (包頭青山萬達廣場)	November 2010	171.0
23	Huhhot Wanda Plaza (呼和浩特萬達廣場)	November 2010	162.0
24	Jinan Weijiazhuang Wanda Plaza (濟南魏家莊萬達廣場)	November 2010	166.8
25	Tianjin Hedong Wanda Plaza (天津河東萬達廣場)	November 2010	220.6
26	Xiangyang Wanda Plaza (襄陽萬達廣場)	November 2010	157.3
27	Yichang Wanda Plaza (宜昌萬達廣場)	November 2010	145.8
28	Ningbo Jiangbei Wanda Plaza (寧波江北萬達廣場)	December 2010	159.4
29	Guangzhou Baiyun Wanda Plaza (廣州白雲萬達廣場)	December 2010	171.6
30	Shaoxing Keqiao Wanda Plaza (紹興柯橋萬達廣場)	December 2010	172.2
31	Wuhan Lingjiao Lake Wanda Plaza (武漢菱角湖萬達廣場)	December 2010	161.2
32	Fuzhou Financial Street Wanda Plaza (福州金融街萬達廣場)	December 2010	165.6

No	Project Name[(1)]	Date of commencement of business	GFA ('000 sq.m.)
33	Hefei Baohe Wanda Plaza (合肥包河萬達廣場)	December 2010	179.0
34	Huai'an Wanda Plaza (淮安萬達廣場)	January 2011	128.2
35	Shanghai Jiangqiao Wanda Plaza (上海江橋萬達廣場)	June 2011	213.9
36	Zhenjiang Wanda Plaza (鎮江萬達廣場)	August 2011	168.8
37	Wuhan Jingkai Wanda Plaza (武漢經開萬達廣場)	August 2011	169.1
38	Xiamen Huli Wanda Plaza (廈門湖裏萬達廣場)	September 2011	178.1
39	Yinchuan Jinfeng Wanda Plaza (銀川金鳳萬達廣場)	September 2011	166.3
40	Shijiazhuang Yuhua Wanda Plaza (石家莊裕華萬達廣場)	September 2011	191.9
41	Wuhan Central Culture District Phase 1 Chu River Han Street (武漢中央文化區一期楚河漢街)	September 2011	187.2
42	Zhengzhou Zhongyuan Wanda Plaza (鄭州中原萬達廣場)	October 2011	164.6
43	Langfang Wanda Plaza (廊坊萬達廣場)	November 2011	178.0
44	Daqing Sartu Wanda Plaza (大慶薩爾圖萬達廣場)	November 2011	141.6
45	Fuzhou Cangshan Wanda Plaza (福州倉山萬達廣場)	December 2011	185.6
46	Taizhou Wanda Plaza (泰州萬達廣場)	December 2011	111.4
47	Changzhou Xinbei Wanda Plaza (常州新北萬達廣場)	December 2011	159.8
48	Tangshan Lunan Wanda Plaza (唐山路南萬達廣場)	December 2011	191.8
49	Shanghai Baoshan Wanda Plaza (上海寶山萬達廣場)	June 2012	169.0
50	Hefei Swan Lake Wanda Plaza (合肥天鵝湖萬達廣場)	July 2012	175.7
51	Jinjiang Wanda Plaza (晉江萬達廣場)	August 2012	202.7
52	Ningde Wanda Plaza (寧德萬達廣場)	August 2012	164.7
53	Nanchang Honggutan Wanda Plaza (南昌紅穀灘萬達廣場)	August 2012	184.1
54	Shenyang Beiyi Road Wanda Plaza (瀋陽北一路萬達廣場)	August 2012	176.0
55	Wuhu Jinghu Wanda Plaza (蕪湖鏡湖萬達廣場)	September 2012	158.3
56	Qingdao Licang Wanda Plaza (青島李滄萬達廣場)	September 2012	182.3
57	Wuxi Jiangyin Wanda Plaza (無錫江陰萬達廣場)	September 2012	194.2
58	Quanzhou Puxi Wanda Plaza (泉州浦西萬達廣場)	September 2012	210.3
59	Zhengzhou Erqi Wanda Plaza (鄭州二七萬達廣場)	October 2012	172.0
60	Zhangzhou Bihu Wanda Plaza (漳州碧湖萬達廣場)	October 2012	212.9
61	Wenzhou Longwan Wanda Plaza (溫州龍灣萬達廣場)	November 2012	241.4
62	Jiangsu Taicang Wanda Plaza (江蘇太倉萬達廣場)	December 2012	170.0
63	Putian Wanda Plaza (莆田萬達廣場)	December 2012	186.8
64	Mianyang Fucheng Wanda Plaza (綿陽涪城萬達廣場)	December 2012	167.5
65	Chengdu Jinniu Wanda Plaza (成都金牛萬達廣場)	December 2012	222.4
66	Dalian High-Tech Park Wanda Plaza (大連高新萬達廣場)	May 2013	172.3
67	Yixing Wanda Plaza (宜興萬達廣場)	May 2013	215.3
68	Xiamen Jimei Wanda Plaza (廈門集美萬達廣場)	June 2013	134.6
69	Wuxi Huishan Wanda Plaza (無錫惠山萬達廣場)	June 2013	172.0
70	Chongqing Wanzhou Wanda Plaza (重慶萬州萬達廣場)	July 2013	139.5
71	Dongguan Chang'an Wanda Plaza (東莞長安萬達廣場)	July 2013	176.3
72	Shenyang Olympic Stadium Wanda Plaza (瀋陽奧體萬達廣場)	July 2013	162.5
73	Changchun Kuancheng Wanda Plaza (長春寬城萬達廣場)	August 2013	164.3
74	Harbin Haxi Wanda Plaza (哈爾濱哈西萬達廣場)	September 2013	210.3
75	Changsha Kaifu Wanda Plaza (長沙開福萬達廣場)	September 2013	212.7
76	Wuhan Central Culture District Phase 2 Hanjie Wanda Plaza (武漢中央文化區(二期-漢街萬達廣場)	September 2013	132.8
77	Fushun Wanda Plaza (撫順萬達廣場)	October 2013	179.3
78	Ningbo Yuyao Wanda Plaza (寧波余姚萬達廣場)	November 2013	174.2
79	Xi'an Daming Palace Wanda Plaza (西安大明宮萬達廣場)	November 2013	187.6
80	Bengbu Wanda Plaza (蚌埠萬達廣場)	November 2013	164.2
81	Xuzhou Wanda Plaza (徐州萬達廣場)	December 2013	148.9
82	Dandong Wanda Plaza (丹東萬達廣場)	December 2013	161.3
83	Nanjing Jiangning Wanda Plaza (南京江寧萬達廣場)	December 2013	195.7
84	Guangzhou Zengcheng Wanda Plaza (廣州增城萬達廣場)	May 2014	197.0
85	Weifang Wanda Plaza (濰坊萬達廣場)	May 2014	161.2
86	Shanghai Songjiang Wanda Plaza (上海松江萬達廣場)	May 2014	181.5
87	Chifeng Wanda Plaza (赤峰萬達廣場)	June 2014	171.6
88	Manzhouli Wanda Plaza (滿洲裏萬達廣場)	June 2014	101.6
89	Jining Taibai Road Wanda Plaza (濟寧太白路萬達廣場)	July 2014	158.3
90	Yinchuan Xixia Wanda Plaza (銀川西夏萬達廣場)	July 2014	140.4
91	Jinhua Wanda Plaza (金華萬達廣場)	July 2014	173.6
92	Changzhou Wujin Wanda Plaza (常州武進萬達廣場)	August 2014	120.1
93	Foshan Nanhai Wanda Plaza (佛山南海萬達廣場)	August 2014	174.0
94	Dongguan Dongcheng Wanda Plaza (東莞東城萬達廣場)	September 2014	169.9
95	Ma'anshan Wanda Plaza (馬鞍山萬達廣場)	September 2014	162.9
96	Jingzhou Wanda Plaza (荊州萬達廣場)	September 2014	159.9

No	Project Name(1)	Date of commencement of business	GFA ('000 sq.m.)
97	Lanzhou Chengguan Wanda Plaza (蘭州城關萬達廣場)	October 2014	178.0
98	Kunming CBD Wanda Plaza (昆明CBD萬達廣場)	October 2014	181.4
99	Longyan Wanda Plaza (龍岩萬達廣場)	November 2014	160.1
100	Guangzhou Panyu Wanda Plaza (廣州番禺萬達廣場)	November 2014	199.3
101	Yantai Zhifu Wanda Plaza (煙臺芝罘萬達廣場)	November 2014	185.9
102	Jiangmen Wanda Plaza (江門萬達廣場)	November 2014	202.5
103	Beijing Tongzhou Wanda Plaza (北京通州萬達廣場)	November 2014	120.9
104	Fuqing Wanda Plaza (福清萬達廣場)	December 2014	145.8
105	Wenzhou Pingyang Wanda Plaza (溫州平陽萬達廣場)	December 2014	148.5
106	Hangzhou Gongshu Wanda Plaza (杭州拱墅萬達廣場)	December 2014	196.8
107	Nanning Qingxiu Wanda Plaza (南寧青秀萬達廣場)	December 2014	196.6
108	Guangyuan Wanda Plaza (廣元萬達廣場)	June 2015	154.0
109	Jiaxing Wanda Plaza (嘉興萬達廣場)	June 2015	144.4
110	Yingkou Wanda Plaza (營口萬達廣場)	June 2015	138.1
111	Neijiang Wanda Plaza (內江萬達廣場)	June 2015	140.8
112	Huangshi Wanda Plaza (黃石萬達廣場)	July 2015	150.0
113	Guangzhou Luogang Wanda Plaza (廣州蘿崗萬達廣場)	July 2015	191.5
114	Shanghai Jinshan Wanda Plaza (上海金山萬達廣場)	July 2015	168.2
115	Anyang Wanda Plaza (安陽萬達廣場)	July 2015	144.1
116	Qiqihar Wanda Plaza (齊齊哈爾萬達廣場)	August 2015	149.6
117	Weinan Wanda Plaza (渭南萬達廣場)	August 2015	125.8
118	Dongying Wanda Plaza (東營萬達廣場)	August 2015	155.1
119	Tai'an Wanda Plaza (泰安萬達廣場)	August 2015	209.2
120	Dalian Development Zone Wanda Plaza (大連開發區萬達廣場)	August 2015	224.1
121	Fuyang Yingzhou Wanda Plaza (阜陽潁州萬達廣場)	August 2015	148.4
122	Guilin High-tech Wanda Plaza (桂林高新萬達廣場)	September 2015	152.4
123	Jiamusi Wanda Plaza (佳木斯萬達廣場)	September 2015	138.7
124	Taiyuan Longhu Wanda Plaza (太原龍湖萬達廣場)	September 2015	202.2
125	Chongqing Banan Wand Plaza (重慶巴南萬達廣場)	October 2015	173.4
126	Dongguan Hou Street Wanda Plaza (東莞厚街萬達廣場)	November 2015	154.2
127	Dezhou Wanda Plaza (德州萬達廣場)	November 2015	163.8
128	Liuzhou Chengzhong Wanda Plaza (柳州城中萬達廣場)	November 2015	164.4
129	Nanning Anji Wanda Plaza (南寧安吉萬達廣場)	December 2015	174.9
130	Suzhou Wuzhong Wanda Plaza (蘇州吳中萬達廣場)	December 2015	155.4
131	Nantong Gangzha Wanda Plaza (南通港閘萬達廣場)	December 2015	136.6
132	Guangzhou Nansha Wanda Plaza (廣州南沙萬達廣場)	December 2015	164.1
133	Chengdu Shudu Wanda Plaza (成都蜀都萬達廣場)	April 2016	177.6
134	Jingmen Wanda Plaza (荊門萬達廣場)	June 2016	144.8
135	Xiangtan Wanda Plaza (湘潭萬達廣場)	June 2016	159.0
136	Taizhou Jingkai Wanda Plaza (台州經開萬達廣場)	June 2016	156.9
137	Ziyang Wanda Plaza (資陽萬達廣場)	June 2016	132.0
138	Jinan High-tech Wanda Plaza (濟南高新萬達廣場)	June 2016	169.8
139	Zhanjiang Wanda Plaza (湛江萬達廣場)	June 2016	170.8
140	Wuhai Wanda Plaza (烏海萬達廣場)	June 2016	155.1
141	Siping Wanda Plaza (四平萬達廣場)	July 2016	112.9
142	Jixi Wanda Plaza (雞西萬達廣場)	July 2016	123.6
143	Tongliao Wanda Plaza (通遼萬達廣場)	July 2016	158.0
144	Mudanjiang Wanda Plaza (牡丹江萬達廣場)	July 2016	133.7
145	Xining Haihu Wanda Plaza (西寧海湖萬達廣場)	July 2016	188.1
146	Shiyan Wanda Plaza (十堰萬達廣場)	August 2016	150.4
147	Bozhou Wanda Plaza (亳州萬達廣場)	August 2016	146.6
148	Urumqi Jingkai Wanda Plaza (烏魯木齊經開萬達廣場)	August 2016	173.9
149	Hefei Yaohai Wanda Plaza (合肥瑤海萬達廣場)	September 2016	151.6
150	Panjin Wanda Plaza (盤錦萬達廣場)	September 2016	133.4
151	Yanji Wanda Plaza (延吉萬達廣場)	September 2016	130.3
152	Yiwu Wanda Plaza (義烏萬達廣場)	September 2016	209.7
153	Chongqing Yongchuan Wanda Plaza (重慶永川萬達廣場)	September 2016	130.2
154	Deyang Wanda Plaza (德陽萬達廣場)	September 2016	129.9
155	Leshan Wanda Plaza (樂山萬達廣場)	September 2016	130.7
156	Suining Wanda Plaza (遂寧萬達廣場)	October 2016	157.0
157	Xuzhou Tongshan Wanda Plaza (徐州銅山萬達廣場)	October 2016	150.5
158	Shangrao Wanda Plaza (上饒萬達廣場)	November 2016	175.0
159	Shaoxing Shangyu Wanda Plaza (紹興上虞萬達廣場)	November 2016	122.7
160	Chaoyang Wanda Plaza (朝陽萬達廣場)	November 2016	97.0
161	Suzhou Wanda Plaza (宿州萬達廣場)	December 2016	154.8
162	Chengdu Qingyang Wanda Plaza (成都青羊萬達廣場)	December 2016	174.7

No	Project Name[(1)]	Date of commencement of business	GFA ('000 sq.m.)
163	Dongguan Humen Wanda Plaza (東莞虎門萬達廣場).	December 2016	146.1
164	Chengdu Shuangliu Wanda Plaza (成都雙流萬達廣場).	December 2016	126.0
165	Beijing Fengtai Wanda Plaza (北京豐台萬達廣場)	December 2016	190.7
166	Qingyuan Wanda Plaza (清遠萬達廣場).	December 2016	126.6
167	Zhangzhou Taishang Wanda Plaza (漳州台商萬達廣場).	January 2017	144.7
168	Nanning Wanda Mao Phase 1 (南寧萬達茂一期).	June 2017	160.8
169	Nanning Jiangnan Wanda Plaza (南寧江南萬達廣場).	June 2017	135.9
170	Guangzhou Jinshazhou Wanda Plaza (廣州金沙洲萬達廣場).	June 2017	112.1
171	Kunshan Wanda Plaza (昆山萬達廣場)	July 2017	167.3
172	Changshu Wanda Plaza (常熟萬達廣場).	July 2017	187.1
173	Dalian Pulandian Wanda Plaza (大連普蘭店萬達廣場).	July 2017	87.8
174	Zhuji Wanda Plaza (諸暨萬達廣場).	August 2017	154.9
175	Jinzhong Wanda Plaza (晉中萬達廣場)	August 2017	106.8
176	Dalian Zhuanghe Wanda Plaza (大連莊河萬達廣場)	August 2017	87.6
177	Hushu Huiminqu Wanda Plaza (呼市回民區萬達廣場).	August 2017	149.8
178	Chongqing Beibei Wanda Plaza (重慶北碚萬達廣場).	August 2017	133.1
179	Jinzhou Wanda Plaza (錦州萬達廣場)	September 2017	125.5
180	Changchun Checheng Wanda Plaza (長春車城萬達廣場)	September 2017	130.2
181	Jilin Changyi Wanda Plaza (吉林昌邑萬達廣場).	September 2017	130.1
182	Hengyang Wanda Plaza (衡陽萬達廣場)	September 2017	120.1
183	Chongqing Qijiang Wanda Plaza (重慶綦江萬達廣場)	October 2017	108.3
184	Qujing Wanda Plaza (曲靖萬達廣場).	October 2017	114.9
185	Tongling Wanda Plaza (銅陵萬達廣場)	November 2017	118.2
186	Jiuquan Wanda Plaza (酒泉萬達廣場)	November 2017	96.0
187	Xi'an High-tech Wanda Plaza (西安高新萬達廣場)	November 2017	120.5
188	Huizhou Dayawan Wanda Plaza (惠州大亞灣萬達廣場).	November 2017	139.3
189	Yangzhou Hanjiang Wanda Plaza (揚州邗江萬達廣場)	December 2017	155.2
190	Liupanshui Wanda Plaza (六盤水萬達廣場)	December 2017	110.4
191	Shanghai Minhang Zhuanqiao Wanda Plaza (上海閔行顓橋萬達廣場)	December 2017	146.3
192	Tianjin Tanggu Wanda Plaza (天津塘沽萬達廣場)	December 2017	134.3
193	Guiyang Guanshanhu Wanda Plaza (貴陽觀山湖萬達廣場).	May 2018	158.7
194	Luzhou Wanda Plaza (瀘州萬達廣場)	June 2018	113.5
195	Changzhou Liyang Wanda Plaza (常州溧陽萬達廣場)	June 2018	100.9
196	Nanjing Xianlin Wanda Mao (南京仙林萬達茂)	June 2018	304.0
197	Huanggang Wanda Plaza (黃岡萬達廣場).	June 2018	101.8
198	Hebi Qibin Wanda Plaza (鶴壁淇濱萬達廣場)	June 2018	102.0
199	Xuancheng Xuanzhou Wanda Plaza (宣城宣州萬達廣場)	June 2018	106.0
200	Shangqiu Suiyang Wanda Plaza (商丘睢陽萬達廣場).	July 2018	100.5
201	Shizuishan Wanda Plaza (石嘴山萬達廣場)	July 2018	98.4
202	Dongying Dongcheng Wanda Plaza (東營東城萬達廣場)	July 2018	96.7
203	Meishan Wanda Plaza (眉山萬達廣場).	July 2018	116.9
204	Fuxin Wanda Plaza (阜新萬達廣場)	August 2018	125.0
205	Baotou Jiuyuan Wanda Plaza (包頭九原萬達廣場)	August 2018	108.4
206	Jiangmen Xinhui Wanda Plaza (江門新會萬達廣場)	August 2018	126.1
207	Urumqi High-tech Wanda Plaza (烏魯木齊高新萬達廣場)	September 2018	133.3
208	Huaibei Wanda Plaza (淮北萬達廣場).	September 2018	100.6
209	Nanjing Lishui Wanda Plaza (南京溧水萬達廣場).	September 2018	162.8
210	Wuwei Wanda Plaza (武威萬達廣場)	October 2018	103.4
211	Chengdu Longquanyi Wanda Plaza (成都龍泉驛萬達廣場).	October 2018	120.2
212	Hefei Chaohu Wanda Plaza (合肥巢湖萬達廣場).	November 2018	110.4
213	Xingtai Wanda Plaza (邢臺萬達廣場)	November 2018	119.4
214	Fujian Nanping Wanda Plaza (福建南平萬達廣場)	November 2018	109.4
215	Xuchang Wanda Plaza (許昌萬達廣場)	November 2018	115.4
216	Chongqing Shapingba Wanda Plaza (重慶沙坪壩萬達廣場)	November 2018	158.3
217	Jiangsu Suqian Wanda Plaza (江蘇宿遷萬達廣場).	December 2018	122.0
218	Mianyang CBD Wanda Plaza (綿陽CBD萬達廣場)	December 2018	193.1
219	Nanchang Qingshanhu Wanda Plaza (南昌青山湖萬達廣場)	December 2018	118.1
220	Yibin Wanda Plaza (宜賓萬達廣場)	December 2018	143.4
221	Yulin Wanda Plaza (榆林萬達廣場)	December 2018	130.2
222	Quanzhou Anxi Wanda Plaza (泉州安溪萬達廣場)	December 2018	141.9
223	Weifang Shouguang Wanda Plaza (濰坊壽光萬達廣場)	December 2018	96.8
225	Guigang Wanda Plaza (貴港萬達廣場)	January 2019	104.1
224	Yuncheng Wanda Plaza (運城萬達廣場)	January 2019	108.9
226	Shantou Jinping Wanda Plaza (汕頭金平萬達廣場)	May 2019	142.0
227	Yulin Wanda Plaza (玉林萬達廣場)	May 2019	110.9
228	Chongqing Dadukou Wanda Plaza (重慶大渡口萬達廣場)	June 2019	134.7

No	Project Name[1]	Date of commencement of business	GFA ('000 sq.m.)
229	Shangluo Wanda Plaza (商洛萬達廣場)	June 2019	117.1
230	Shanghai Qingpu Wanda Mao (上海青浦萬達茂)	June 2019	237.2
231	Changde Wanda Plaza (常德萬達廣場)	September 2016	130.2
232	Meizhou Wanda Plaza (梅州萬達廣場)	September 2016	130.0
233	Sanmenxia Wanda Plaza (三門峽萬達廣場)	October 2016	110.6
234	Yichun Wanda Plaza (宜春萬達廣場)	October 2016	129.0
235	Foshan Sanshui Wanda Plaza (佛山三水萬達廣場)	November 2016	130.0
236	Lianyungang Wanda Plaza (連雲港萬達廣場)	November 2016	117.9
237	Zhengzhou Huiji Wanda Plaza (鄭州惠濟萬達廣場)	November 2016	190.5
238	Yingkou Bayuquan Wanda Plaza (營口鮁魚圈萬達廣場)	November 2016	97.2
239	Haikou Xiuying Wanda Plaza (海口秀英萬達廣場)	December 2016	149.7
240	Yantai Development Zone Wanda Plaza (煙臺開發區萬達廣場)	December 2016	129.9
241	Huzhou Wanda Plaza (湖州萬達廣場)	December 2016	139.5
242	Binzhou Wanda Plaza (濱州萬達廣場)	December 2016	96.2
243	Fujian Sanming Wanda Plaza (福建三明萬達廣場)	December 2016	130.6
244	Lu'an Wanda Plaza (六安萬達廣場)	December 2016	145.2
245	Fuyang Yingquan Wanda Plaza (阜陽潁泉萬達廣場)	June 2017	130.1
246	Chongqing Fuling Wanda Plaza (重慶涪陵萬達廣場)	July 2019	143.1
247	Hangzhou Yuhang Wanda Plaza (杭州餘杭萬達廣場)	August 2019	120.1
248	Anshan Wanda Plaza (鞍山萬達廣場)	August 2019	133.5
249	Chuzhou Wanda Plaza (滁州萬達廣場)	August 2019	119.5
250	Shenyang Quanyun Wanda Plaza (瀋陽全運萬達廣場)	December 2019	132.7
251	Hefei North City Wanda Plaza (合肥北城萬達廣場)	December 2019	138.0
252	Shanghai Pujiang Wanda Plaza (上海浦江萬達廣場)	December 2019	155.2
253	Panzhihua Wanda Plaza (攀枝花萬達廣場)	January 2020	120.1
254	Nantong Haian Wanda Plaza (南通海安萬達廣場)	June 2020	99.5
255	Bengbu Huaishang Wanda Plaza (蚌埠淮上萬達廣場)	July 2020	112.0
256	Wuxi Xinwu Wanda Plaza (無錫新吳萬達廣場)	July 2020	141.0
257	Jiangmen Taishan Wanda Plaza (江門台山萬達廣場)	August 2020	114.3
258	Guilin Lingui Wanda Plaza (桂林臨桂萬達廣場)	September 2020	125.8
259	Beijing Yanqing Wanda Plaza (北京延慶萬達廣場)	September 2020	132.8
260	Ankang High-tech Wanda Plaza (安康高新萬達廣場)	November 2020	118.6
261	Bozhou Qiaocheng Wanda Plaza (亳州譙城萬達廣場)	November 2020	119.8
262	Zigong Huichuan Road Wanda Plaza (自貢匯川路萬達廣場)	December 2020	105.8
263	Zhoukou Kaiyuan Wanda Plaza (周口開元萬達廣場)	December 2020	117.2
264	Weihai Huancui Wanda Plaza (威海環翠萬達廣場)	December 2020	110.4
265	Chengdu Qingbaijiang Wanda Plaza (成都青白江萬達廣場)	December 2020	119.1
266	Yangzhou Shugang Wanda Plaza (揚州蜀岡萬達廣場)	December 2020	137.4
267	Yichang Yiling Wanda Plaza (宜昌夷陵萬達廣場)	December 2020	144.2
268	Shanghai Maqiao Wanda Plaza (上海馬橋萬達廣場)	December 2020	136.0
269	Ulanqab Wanda Plaza (烏蘭察布萬達廣場)	December 2020	103.5
270	Tianjin Wuqing Fuyuan Wanda Plaza (天津武清福源萬達廣場)	December 2020	197.2
Total			**40,334.1**
Asset-light projects[3] & cooperative projects[4]			
271	Beijing Huaifang Wanda Plaza (北京槐房萬達廣場)	December 2016	188.8
272	Liuzhou Liunan Wanda Plaza (柳州柳南萬達廣場)	December 2016	130.7
273	Xianyang Licai Wanda Plaza (咸陽麗彩萬達廣場)	January 2017	88.8
274	Beihai Wanda Plaza (北海萬達廣場)	May 2017	108.1
275	Fuzhou Wanda Plaza (撫州萬達廣場)	June 2017	140.2
276	Yiyang Wanda Plaza (益陽萬達廣場)	June 2017	131.3
277	Nanchang Xihu Wanda Plaza (南昌西湖萬達廣場)	June 2017	139.9
278	Zaozhuang Wanda Plaza (棗莊萬達廣場)	June 2017	114.8
279	Yancheng Wanda Plaza (鹽城萬達廣場)	June 2017	145.3
280	Jiaozuo Wanda Plaza (焦作萬達廣場)	June 2017	115.8
281	Jiujiang Wanda Plaza (九江萬達廣場)	July 2017	130.1
282	Ya'an Wanda Plaza (雅安萬達廣場)	July 2017	97.0
283	Liaoyang Wanda Plaza (遼陽萬達廣場)	July 2017	129.7
284	Chengdu Chongzhou Wanda Plaza (成都崇州萬達廣場)	September 2017	94.3
285	Dalian Ganjingzi Wanda Plaza (大連甘井子萬達廣場)	September 2017	121.3
286	Datong Wanda Plaza (大同萬達廣場)	October 2017	112.8
287	Guilin Diecai Wanda Plaza (桂林疊彩萬達廣場)	November 2017	111.1
288	Pingdingshan Wanda Plaza (平頂山萬達廣場)	November 2017	130.2
289	Chengdu Jintang Wanda Plaza (成都金堂萬達廣場)	December 2017	102.8
290	Nantong Tongzhou Wanda Plaza (南通通州萬達廣場)	December 2017	111.3

No	Project Name[(1)]	Date of commencement of business	GFA ('000 sq.m.)
291	Quzhou Kecheng Wanda Plaza (衢州柯城萬達廣場)	December 2017	125.0
292	Beijing Fengtai Xitieying Wanda Plaza (北京豐台西鐵營萬達廣場).	December 2017	108.3
293	Chengdu Wuhou Wanda Plaza (成都武侯萬達廣場).	December 2017	157.4
294	Xinxiang Muye Wanda Plaza (新鄉牧野萬達廣場)	December 2017	121.4
295	Beijing Huairou Wanda Plaza (北京懷柔萬達廣場)	January 2018	90.0
296	Urumqi Dehui Wanda Plaza (烏魯木齊德匯萬達廣場)	January 2018	123.6
297	Yan'an Wanda Plaza (延安萬達廣場)	February 2018	76.8
298	Jiaxing Longding Wanda Plaza (嘉興龍鼎萬達廣場)	May 2018	161.6
299	Ningbo Fenghua Wanda Plaza (寧波奉化萬達廣場).	May 2018	104.2
300	Wuzhong Wanda Plaza (吳忠萬達廣場).	June 2018	124.8
301	Huainan Wanda Plaza (淮南萬達廣場).	September 2018	114.2
302	Changzhi Wanda Plaza (長治萬達廣場).	September 2018	130.0
303	Kaifeng Wanda Plaza (開封萬達廣場)	September 2018	157.8
304	Suihua Wanda Plaza (綏化萬達廣場).	September 2018	114.2
305	Shanghai Jiading CITIC Pacific Wanda Plaza (上海嘉定中信泰富萬達廣場). . .	October 2018	192.8
306	Taizhou Taixing Wanda Plaza (泰州泰興萬達廣場).	October 2018	121.1
307	Heze Wanda Plaza (菏澤萬達廣場)	November 2018	146.5
308	Benxi Wanda Plaza (本溪萬達廣場)	December 2018	103.7
309	Quanzhou Xingguangyao Wanda Plaza (泉州星光耀萬達廣場)	December 2018	156.9
310	Guangzhou Xintang Wanda Plaza (廣州新塘萬達廣場)	December 2018	157.7
311	Zhangjiagang Wanda Plaza (張家港萬達廣場)	December 2018	119.9
312	Chongqing Tongliang Wanda Plaza (重慶銅梁萬達廣場)	December 2018	161.4
313	Duyun Wanda Plaza (都勻萬達廣場).	January 2019	95.7
314	Shijiazhuang Chang'an Wanda Plaza (石家莊長安萬達廣場).	June 2019	145.9
315	Daqing Ranghu Road Wanda Plaza (大慶讓胡路萬達廣場).	July 2019	272.3
316	Hinggan League Wanda Plaza (興安盟萬達廣場)	September 2019	132.2
317	Linyi Shanghai Road Wanda Plaza (臨沂上海路萬達廣場).	September 2019	156.1
318	Ordos Wanda Plaza (鄂爾多斯萬達廣場).	September 2019	108.2
319	Liaocheng Wanda Plaza (聊城萬達廣場)	October 2019	143.7
320	Qingdao Chengyang Wanda Plaza (青島城陽萬達廣場)	November 2019	121.5
321	Suizhou Wanda Plaza (隨州萬達廣場).	November 2019	126.2
322	Qinhuangdao Port Wanda Plaza (秦皇島海港萬達廣場)	November 2019	140.0
323	Suzhou CBD Wanda Plaza (宿州CBD萬達廣場)	November 2019	97.5
324	Luliang Xiaoyi Wanda Plaza (呂梁孝義萬達廣場).	November 2019	101.3
325	Huai'an Chuzhou Wanda Plaza (淮安楚州萬達廣場)	November 2019	115.7
326	Xianning Xian'an Wanda Plaza (咸寧咸安萬達廣場)	November 2019	104.7
327	Shuozhou Shuocheng Wanda Plaza (朔州朔城萬達廣場)	November 2019	63.6
328	Rizhao Donggang Wanda Plaza (日照東港萬達廣場).	December 2019	139.6
329	Huaihua Hecheng Wanda Plaza (懷化鶴城萬達廣場).	December 2019	142.1
330	Baoding Jiade Wanda Plaza (保定嘉德萬達廣場)	December 2019	64.5
331	Xiaogan Xinghetian StreetWanda Plaza (孝感星河天街萬達廣場)	December 2019	115.5
332	Puyang Jingkai Wanda Plaza (濮陽經開萬達廣場).	December 2019	142.0
333	Tonghua Wanda Plaza (通化萬達廣場)	December 2019	128.3
334	Zaozhuang Tengzhou Plaza (棗莊滕州萬達廣場).	December 2019	140.2
335	Maoming Dianbai Wanda Plaza (茂名電白萬達廣場).	December 2019	134.3
336	Suqian Shuyang Wanda Plaza (宿遷沭陽萬達廣場)	December 2019	129.4
337	Chongqing Nanchuan Wanda Plaza (重慶南川萬達廣場)	December 2019	134.4
338	Guangzhou Haizhu Wanda Plaza (廣州海珠萬達廣場)	December 2019	135.8
339	Guiyang Yunyan Wanda Plaza (貴陽雲岩萬達廣場)	December 2019	162.4
340	Huanggang Wuxue Wanda Plaza (黃岡武穴萬達廣場)	December 2019	105.7
341	Baoding Future Stone Wanda Plaza (保定未來石萬達廣場)	December 2019	198.0
342	Suzhou Kunshan Economic Development Zone Wanda Plaza (蘇州昆山經開萬達廣場).	June 2020	155.5
343	Zibo Zhangdian Wanda Plaza (淄博張店萬達廣場)	July 2020	140.7
344	Lhasa Chengguan Wanda Plaza (拉薩城關萬達廣場).	August 2020	129.7
345	Zhengzhou High-tech Wanda Plaza (鄭州高新萬達廣場)	September 2020	138.4
346	Guangzhou Nangang Wanda Plaza (廣州南崗萬達廣場).	September 2020	135.7
347	Xinyang Yangshan Wanda Plaza (信陽羊山萬達廣場)	September 2020	88.2
348	Baoding Dingzhou Wanda Plaza (保定定州萬達廣場)	November 2020	127.1
349	Kunming Chenggong Wanda Plaza (昆明呈貢萬達廣場)	November 2020	143.6
350	Shenzhen Baoan Fucheng Wanda Plaza (深圳寶安福城萬達廣場)	November 2020	93.5
351	Shanghai Chongming Wanda Plaza (上海崇明萬達廣場)	November 2020	160.4
352	Fuqing Fuhe Wanda Plaza (福清福和萬達廣場)	November 2020	139.1
353	Handan Hanshan Wanda Plaza (邯鄲邯山萬達廣場)	November 2020	149.2
354	Ningbo Xiangshan Wanda Plaza (寧波象山萬達廣場)	December 2020	121.5
355	Wuhan Dongxihu Wanda Plaza (武漢東西湖萬達廣場)	December 2020	172.4

No	Project Name[1]	Date of commencement of business	GFA ('000 sq.m.)
356	Taizhou Xinghua Wanda Plaza (泰州興化萬達廣場)	December 2020	95.7
357	Suzhou Dangshan Wanda Plaza (宿州碭山萬達廣場)	December 2020	108.4
358	Urumqi Degang Wanda Plaza (烏魯木齊德港萬達廣場)	December 2020	90.5
359	Beijing Changping Le Duo Port Wanda Plaza (北京昌平樂多港萬達廣場)	December 2020	160.0
360	Guiyang Shubo Wanda Plaza (貴陽數博萬達廣場)	December 2020	169.3
361	Liangshan Xichang Wanda Plaza (涼山州西昌萬達廣場)	December 2020	93.9
362	Shangqiu Ganghui Wanda Plaza (商丘港匯萬達廣場)	December 2020	213.0
363	Bazhong Rongbang Wanda Plaza (巴中容邦萬達廣場)	December 2020	150.2
364	Wuhan Panlongcheng Wanda Plaza (武漢盤龍城萬達廣場)	December 2020	113.9
365	Jingmen Duodao Wanda Plaza (荊門掇刀萬達廣場)	December 2020	148.5
366	Yantai Laiyang Wanda Plaza (煙臺萊陽萬達廣場)	December 2020	55.4
367	Beijing Shuangqiao Wanda Plaza (北京雙橋萬達廣場)	December 2020	44.8
368	Linyi Linshu Wanda Plaza (臨沂臨沭萬達廣場)	December 2020	42.0
Total			**12,491.0**

Notes:

(1) English names are for identification only.

(2) Represented the projects in which we own the fixed assets that are utilized to generate income for us. Property development under our asset-heavy model usually requires substantial capital investment during the construction period. We acquired land and constructed the relevant Wanda Plazas with our own funds.

(3) Represented the projects for which our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land, whereas we will be responsible for land selection, design, construction, leasing and operation. We and our co-investors will share rental income based on a negotiated ratio.

(4) Represented the projects for which our co-investors will fund the capital required for the construction of Wanda Plazas and provide land, whereas we will be responsible for design, construction, leasing and operation. We and our co-investors will share rental income based on a negotiated ratio.

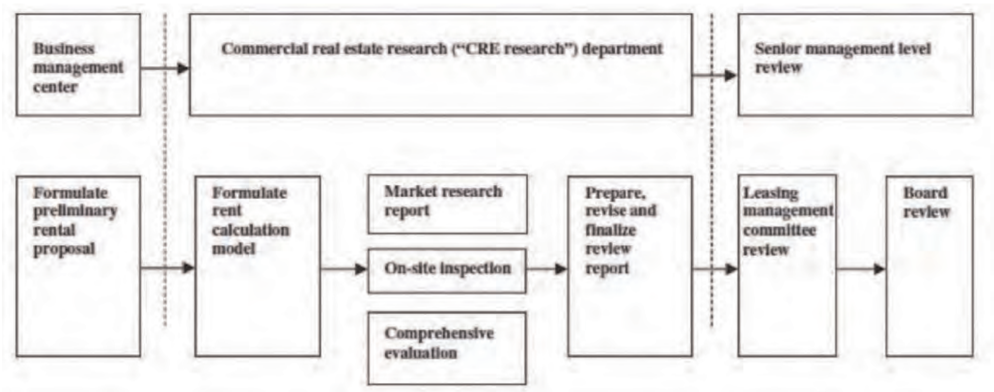
Leasing operation and management of investment properties

Order-driven management model and pre-leasing

We have developed an order-driven management model (訂單模式). We typically begin to obtain pre-leasing commitments prior to the commencement of construction of a shopping centre. This model allows tenants to customise their rental spaces during the construction of projects. In order to satisfy the tenants' needs, our planning and design team and property leasing team work together to ensure that the properties delivered are aligned with such needs. Our order-driven management model has allowed us to effectively secure a significant amount of leasing commitments before commencement of operation. During 2018, 2019 and 2020, we achieved full or nearly full occupancy upon commencement of operation in substantially all of the shopping centres owned and operated by us.

Rental pricing process

We have developed a systematic rental pricing process based on our operating experience. The initial rental pricing process for our investment properties normally starts from the feasibility study stage before the land acquisition decision is made. At this stage, we estimate the range of rental rates for the proposed project in order to evaluate the prospect of investment return. The formal rental pricing process begins after the land acquisition. We follow a rent proposal review process to formulate a proposed rental plan for the project. The chart below summarises the major stages typically involved in the process of our rental proposal review:



Marketing and brand management

We carry out a variety of marketing initiatives to promote our commercial properties and source potential tenants. For example, we have hosted the "Wanda Group Annual Commercial Convention" ("萬達商業年會") every year for 12 years, which is a major marketing platform for us to promote our commercial properties and source potential tenants. In addition, from time to time, we also organise Wanda China Tour (萬達中國行) promotional event for selected projects that have recently commenced construction, whereby potential tenants can experience the commercial features of Wanda Plaza in person.

To maintain a high-quality tenant base, we have established and maintained a brand bank which consists of quality brands selected from marketing events and historical business relationships and which serves as the primary source of our tenant choice. Our brand bank evaluation committee (品牌庫評審委員) is responsible for managing our brand bank, including conducting the annual evaluation, grading, addition and removal of brands. We seek to select tenants with a balanced mix of brands for each Wanda Plaza. Our brand bank contains a large number of brands. Many brands in each category are internationally and nationally renowned brands.

Tenants and tenant management

Lease terms of anchor and sub-anchor tenants in our principal investment properties generally range from 10 to 15 years, while the lease terms of other tenants generally range from three to eight years. Subject to our consideration of a variety of factors, including the brand name and preference of our tenants, the nature and profitability of their business and their business relationships with us, we typically use the following rental pricing methods: (i) fixed rates during a predetermined period with an increase in rental by certain percentage points annually thereafter for the remaining lease terms; (ii) rental rates calculated based on a pre-determined percentage of the retail gross income of the tenants; and (iii) rental rates calculated using the rental pricing method set out in (i) above or the rent pricing method set out in (ii) above, whichever is higher.

To maintain the competitiveness and profitability of our investment property operations, we closely monitor the operation and performance of individual stores to assess their appeal to customers and their ability to pay rent on schedule. In addition, we normally conduct rental rate reviews eight months prior to the expiry of the respective leasing contracts, together with an evaluation of the overall condition of the complex. We will propose a rental adjustment during the negotiations for the renewal of lease contracts with our tenants based on the outcome of the rental review procedure.

When selecting tenants, we will take into account various factors, including: (i) the proposed rent, which should be fair and reasonable; (ii) the tenancy term; (iii) satisfaction of the required quality standard; and (iv) whether it is in line with our business strategy, based on which we will decide if we wish to enter into, on terms similar to those entered into with our connected persons, the lease agreements with alternative tenants.

Our Hotel Operations

Our hotel brands

We began to operate hotels under the Wanda brand in 2012 and established our own hotel brands comprising Wanda Reign, Wanda Vista, Wanda Realm, Wanda Jin and Wanda Moments, of which Wanda Reign, Wanda Vista and Wanda Realm are positioned as luxury hotel brands.

Our hotel portfolio

In line with our asset-light strategy, we entered into a strategic agreement and a series of supplemental agreements with R&F, pursuant to which we agreed to dispose of 73 hotels and an office building of Dalian Wanda Commercial Centre in China to R&F. By the end of 2020, we had completed the transfer of our equity interests in 72 subsidiaries engaged in hotel operation to R&F with the equity interest in the only remaining subsidiary to be transferred to R&F in 2021. Subsequent to the transfer of these hotels to R&F, our hotel management companies continue to provide hotel management services with respect to the disposed hotels that operate under our Wanda brand until the expiration of the relevant management contracts. We charge R&F management fees for providing hotel management services with respect to the disposed hotels that are still under our management. R&F also agreed to give priority to our hotel management companies for renewal of the hotel management agreements of these hotels operating under our Wanda brand before their expiry.

As at 31 December 2020, we operated 86 hotels owned by third parties with a total GFA of approximately 3.3 million sq.m. and owned ten hotels with a total GFA of approximately 0.4 million sq.m.

The table below sets forth a summary of the hotels operated by us as at 31 December 2020:

No	Name[1]	Date of commencement of business	GFA ('000 sq.m)	Occupancy Rate as at 31 December 2020 (%)
Self-owned hotels				
1	Wanda Vista Beijing (北京萬達文華酒店)	August 2007	52.5	38.3%
2	Wanda Conrad Sanya (三亞康萊德酒店)	December 2010	35.1	82.4%
3	Wanda Double Tree Sanya (三亞逸林度假酒店)	December 2010	58.6	88.6%
4	Wanda Realm Zhangzhou (漳州萬達嘉華酒店)	October 2012	43.8	51.1%
5	Wanda Reign Wuhan (武漢萬達瑞華酒店)	March 2014	56.0	35.5%
6	Wanda Reign Chengdu (成都萬達瑞華酒店)	December 2015	46.0	60.6%
7	Wanda Reign Shanghai (上海萬達瑞華酒店)	June 2016	36.3	55.9%
8	Wanda Moments Shanghai Qingpu (上海青浦萬達美華酒店)	October 2019	13.4	43.2%
9	Wanda Moments Nanchang West Railway Station (南昌西站萬達美華酒店)	November 2019	12.9	53.6%
10	Wanda Moments Ningbo Yinzhou (寧波鄞州萬達美華酒店)	August 2020	11.6	66.7%
Total			**366.3**	
Third-party owned and self-managed hotels				
11	Wanda Realm Beijing (北京萬達嘉華酒店)	January 2009	43.5	54.5%
12	Wanda Realm Langfang (廊坊萬達嘉華酒店)	November 2011	41.9	44.2%
13	Wanda Realm Taizhou (泰州萬達嘉華酒店)	December 2011	38.7	40.9%
14	Wanda Vista Taiyuan (太原萬達文華酒店)	August 2012	52.4	38.1%

No	Name[1]	Date of commencement of business	GFA ('000 sq.m)	Occupancy Rate as at 31 December 2020 (%)
15	Wanda Realm Ningde (寧德萬達嘉華酒店)	August 2012	40.8	42.5%
16	Wanda Vista Quanzhou (泉州萬達文華酒店)	September 2012	47.8	46.2%
17	Wanda Vista Changsha (長沙萬達文華酒店)	October 2012	65.8	56.7%
18	Wanda Realm Huaian (淮安萬達嘉華酒店)	November 2012	44.6	58.3%
19	Wanda Vista Shenyang (瀋陽萬達文華酒店)	July 2013	51.7	43.4%
20	Wanda Realm Fushun (撫順萬達嘉華酒店)	August 2013	39.5	37.6%
21	Wanda Realm Wuhan (武漢萬達嘉華酒店)	September 2013	40.7	56.0%
22	Wanda Realm Harbin (哈爾濱萬達嘉華酒店)	September 2013	47.9	41.4%
23	Wanda Vista Tianjin (天津萬達文華酒店)	August 2013	41.1	42.3%
24	Wanda Realm Nanchang (南昌萬達嘉華酒店)	December 2013	35.0	59.6%
25	Wanda Realm Yinchuan (銀川萬達嘉華酒店)	December 2013	46.3	42.5%
26	Wanda Realm Dandong (丹東萬達嘉華酒店)	December 2013	48.5	32.9%
27	Wanda Realm Nanjing (南京萬達嘉華酒店)	December 2013	41.6	33.9%
28	Wanda Realm Guangzhou Zengcheng (廣州增城萬達嘉華酒店)	May 2014	30.5	35.8%
29	Wanda Pullman Weifang (濰坊富力鉑爾曼酒店)	May 2014	30.7	49.1%
30	Wanda Realm Chifeng (赤峰萬達嘉華酒店)	June 2014	47.4	39.0%
31	Wanda Realm Jining (濟寧萬達嘉華酒店)	July 2014	36.5	48.7%
32	Wanda Realm Jinhua (金華萬達嘉華酒店)	July 2014	41.6	50.7%
33	Wanda Realm Changzhou (常州萬達嘉華酒店)	August 2014	29.4	42.3%
34	Wanda Vista Dongguan (東莞萬達文華酒店)	September 2014	44.1	30.7%
35	Wanda Realm Ma'anshan (馬鞍山萬達嘉華酒店)	September 2014	30.1	58.3%
36	Wanda Realm Jingzhou (荊州萬達嘉華酒店)	September 2014	30.7	53.5%
37	Wanda Vista Lanzhou (蘭州萬達文華酒店)	October 2014	41.0	58.1%
38	Wanda Vista Kunming (昆明萬達文華酒店)	October 2014	38.7	58.3%
39	Wanda Realm Longyan (龍岩萬達嘉華酒店)	November 2014	34.9	44.7%
40	Wanda Vista Yantai (煙臺萬達文華酒店)	November 2014	44.2	37.0%
41	Wanda Realm Jiangmen (江門萬達嘉華酒店)	November 2014	41.4	46.5%
42	Wanda Realm Wuhu (蕪湖萬達嘉華酒店)	December 2014	36.8	36.9%
43	Wanda Realm Bengbu (蚌埠萬達嘉華酒店)	December 2014	34.5	58.7%
44	Wanda Vista Nanning (南寧萬達文華酒店)	December 2014	49.3	44.8%
45	Wanda Realm Guangyuan (廣元萬達嘉華酒店)	June 2015	34.2	49.5%
46	Wanda Realm Neijiang (內江萬達嘉華酒店)	June 2015	32.7	47.0%
47	Wanda Realm Huangshi (黃石萬達嘉華酒店)	July 2015	26.5	41.9%
48	Wanda Realm Anyang (安陽萬達嘉華酒店)	July 2015	27.8	47.5%
49	Wanda Realm Dongying (東營萬達嘉華酒店)	August 2015	37.9	44.2%
50	Wanda Realm Taian (泰安萬達嘉華酒店)	August 2015	41.6	39.5%
51	Wanda Realm Fuyang Yingzhou (阜陽潁州萬達嘉華酒店)	August 2015	30.0	60.6%
52	Wanda Vista Resort Xishuangbanna (西雙版納萬達文華度假酒店)	September 2015	46.5	41.4%
53	Wanda Realm Liuzhou (柳州萬達嘉華酒店)	November 2015	37.6	47.3%
54	Wanda Visa Hohhot (呼和浩特萬達文華酒店)	November 2015	42.9	64.9%
55	Wanda Vista Zhengzhou (鄭州萬達文華酒店)	March 2016	50.2	58.2%
56	Wanda Vista Resort Nanchang (南昌萬達文華度假酒店)	May 2016	45.8	45.0%
57	Wanda Realm Resort Nanchang (南昌萬達嘉華度假酒店)	May 2016	38.6	26.2%
58	Wanda Realm Siping (四平萬達嘉華酒店)	July 2016	32.4	35.8%
59	Wanda Realm Xining (西寧萬達嘉華酒店)	July 2016	36.9	52.0%
60	Wanda Vista Urumqi (烏魯木齊萬達文華酒店)	August 2016	47.5	49.3%
61	Wanda Realm Bozhou (亳州萬達嘉華酒店)	August 2016	32.3	53.5%
62	Wanda Realm Yiwu (義烏萬達嘉華酒店)	September 2016	37.9	44.7%
63	Wanda Vista Resort Hefei (合肥萬達文華度假酒店)	September 2016	51.0	25.8%
64	Wanda Realm Resort Hefei (合肥萬達嘉華度假酒店)	September 2016	39.3	47.0%
65	Wanda Realm Shangrao (上饒萬達嘉華酒店)	November 2016	29.8	56.2%
66	Wanda Realm Xiamen North Bay (廈門北海灣惠龍萬達嘉華酒店)	December 2016	40.0	34.0%
67	Wanda Realm Resort Nanning (南寧萬達嘉華度假酒店)	June 2017	45.2	29.6%
68	Wanda Vista Resort Harbin (哈爾濱萬達文華度假酒店)	June 2017	48.4	18.1%
69	Wanda Realm Resort Harbin (哈爾濱萬達嘉華度假酒店)	June 2017	41.7	38.9%
70	Wanda Jin Danzhai (丹寨萬達錦華酒店)	July 2017	6.3	35.0%
71	Wanda Vista Resort Qingdao (青島萬達文華度假酒店)	April 2018	43.5	38.9%
72	Wanda Realm Resort Qingdao (青島萬達嘉華度假酒店)	April 2018	65.1	28.2%
73	Wanda Realm Resort Qiqihar (齊齊哈爾萬達嘉華度假酒店)	June 2018	37.1	33.9%
74	Wanda City Vista Resort Guangzhou (廣州萬達城文華度假酒店)	June 2019	57.9	25.3%

No	Name[(1)]	Date of commencement of business	GFA ('000 sq.m)	Occupancy Rate as at 31 December 2020 (%)
75	Wanda City Realm Resort Guangzhou (廣州萬達城嘉華度假酒店)	June 2019	42.8	34.9%
76	Wanda Moments Heza (菏澤萬達美華酒店)	August 2019	8.4	62.5%
77	Wanda City Vista Resort Wuxi (無錫萬達城文華度假酒店) . .	June 2019	47.0	24.2%
78	Wanda City Realm Resort Wuxi (無錫萬達城嘉華度假酒店) .	June 2019	43.5	39.7%
79	Wanda Realm Resort Jiangmen Heshan (江門鶴山萬達嘉華酒店).	August 2019	22.9	4.4%
80	Wanda Jin Baise (百色鼎盛萬達錦華酒店).	September 2019	21.1	46.3%
81	Wanda Vista Resort Kunming (昆明萬達文華度假酒店).	November 2019	42.2	15.8%
82	Wanda Realm Resort Kunming (昆明萬達嘉華度假酒店). . . .	November 2019	36.1	37.8%
83	Wanda Vista Changchun (長春萬達文華酒店)	December 2019	40.6	44.7%
84	Wanda Jin Hot Spring Danzhai Hotel (丹寨萬達錦華溫泉酒店).	May 2020	22.9	34.8%
85	Wanda Jin Korla (庫爾勒萬達錦華酒店)	June 2020	17.5	38.2%
86	Wanda Yue Shanghai Dapuqiao (上海打浦橋悦華酒店)	June 2020	2.7	96.4%
87	Wanda Realm Chengdu (成都萬達嘉華酒店)	August 2020	43.0	52.8%
88	Wanda Vista Chengdu (成都萬達文華酒店)	September 2020	36.0	27.8%
89	Wanda Moments Nanjing South Railway Station (南京南站萬達美華酒店).	September 2020	6.9	68.6%
90	Wanda Vista Chongqing (重慶萬達文華酒店).	September 2020	53.9	16.6%
91	Wanda Realm Chongqing (重慶萬達嘉華酒店).	September 2020	40.9	46.2%
92	Wanda Moments Changzhi Luding (長治潞鼎萬達美華酒店) .	October 2020	6.0	56.0%
93	Wanda Yi Yingkou (營口萬達頤華酒店)	October 2020	25.6	12.3%
94	Wanda Jin Chongqing (重慶萬達錦華酒店)	November 2020	51.7	20.3%
95	Wanda Jin Pingxiang (萍鄉萬達錦華酒店).	December 2020	25.0	17.1%
96	Wanda Realm Guilin (桂林萬達嘉華酒店)	December 2020	45.8	6.3%
Total			**3,276.2**	

Note:

(1) English names are for identification only.

Impact of COVID-19

During the COVID-19 pandemic that started in late 2019, we conducted our hotel operations in compliance with local policies and strived to provide services to the public as usual. The pandemic had an impact on our operation and financial results of this business segment during 2020 and further caused a significant decrease in our revenue, profitability and occupancy rate.

Hotel management

Hotel facilities

We offer a diverse range of food and beverage options at the hotels that we operate, including Western cuisine, Asian cuisine, lounges and lobby bars. The hotels operated by us also offer a comprehensive range of facilities for conferences, meetings as well as for recreational and social events. Many of the hotels operated by us can also accommodate meeting, conference and exhibition activities. These hotels are equipped with wireless Internet technology and general information technology. The meeting rooms also feature audio visual technologies to accommodate our business customers. With respect to social events, we are well-equipped to accommodate the growing demand for wedding banquet services in China.

Marketing of hotels

We promote and advertise the hotels operated by us primarily through the Internet, newspapers, television, radio, promotional materials, press coverage and outdoor billboards. Our sales and marketing departments are responsible for conducting promotional and marketing activities for hotels under the Wanda brand. As part of our sales and marketing strategy, we enter into special arrangements with corporate partners and offer them discounted rates for a given time period. We maintain a centralised online reservation system which allows potential customers to book rooms at any of the hotels operated by us and also manage their existing reservations. Customers can also call our toll-free reservation telephone lines to make reservations.

Discontinued Operation – Property Development and Sales

During the relevant periods prior to 2020, we also conducted the business of property development and sale of properties, which primarily consisted of (i) development of commercial and residential properties, and (ii) sale of commercial and residential properties. In this business segment, we derived revenue primarily from development and sale of office buildings, SOHO, shopping malls and residential units in our building complex projects we developed.

In light of our asset-light strategy, we decided to phase out our property sale business by transferring our entire business of property development and sale of properties outside of our Group to Wanda Properties, which is a member of the Wanda Group dedicated to the property development and sale business. We had completed the divestment of our property development and sale business by the end of 2020. As a result, we did not undertake any new property development projects or conduct any sale of properties in 2020.

During 2018, 2019 and 2020, we were engaged in the development, holding and operation of commercial properties, which were under either asset-light or asset-heavy model. Under the asset-light model, we introduce co-investors to collaboratively develop Wanda Plazas. Depending on the negotiated mode of collaboration, our co-investors will fund the capital required for the construction of Wanda Plazas and acquisition of the land or, in certain cases, provide land themselves, whereas we will be responsible for design, construction, leasing and operation of the relevant commercial properties and may also acquire the land for the projects if the co-investors do not provide the land themselves. We and our co-investors will share rental income from the commercial properties based on a negotiated ratio. This business model allowed in third-party investors and funds and significantly minimises our Group's pressure from funding the relevant projects with our own capital. In addition, we could take full advantage of our expertise in commercial property operations and management to expedite our expansion in target cities. We substantially completed the divestment of our property development and sale business by the end of 2019. As a result, we did not undertake any new asset-heavy property development project or conduct any sale of properties in 2020.

Others Business – Miscellaneous

Our business in the "others" segment in our consolidated financial statements mainly comprises sale of yachts and operation of the Group's research and design centres and institutes.

Sale of Yachts

We are engaged in yacht manufacturing and sales through our directly or indirectly held subsidiaries and derive income from the sale of these yachts to dealers or ultimate users. Our yachts fall into three categories, namely small yachts, medium-sized yachts and large yachts, with an offering of 11 different models, sizes ranging from 50 feet to 131 feet in length and sales prices ranging from GBP600,000 to GBP17,000,000 per yacht. Our sales network spreads across 45 countries in five continents. Most of our yachts are sold to European customers.

Institutes

Our Group operates two Wanda institutes.

- Wanda Hotel Research Institute: Wanda Hotel Research Institute is a world leading hotel design firm with strong expertise in architectural design, interior design, mechanical and electric equipment, lighting and art work. It has successfully designed hotels for the world's major hotel management brands and has designed and operated over 100 hotel projects.

- Wanda Commercial Research Institute: Wanda Commercial Research Institute holds a Class-A Certificate of Engineering Design Integrated Qualification and national high-tech enterprise accreditation and is the only institution in China that specialises in the planning and design of large shopping centres. It was responsible for every step from the overall project planning, design and construction management to completion and acceptance of the projects. Wanda Commercial Research Institute has helped to establish not only the standards for architectural design and technologies for commercial properties, but also the PRC industry standards at the request of the Ministry of Housing and Urban-Rural Development, the Ministry of Commerce and the Ministry of Public Security. Wanda Commercial Research Institute also designed the third generation Wanda commercial centres – Wanda City.

New Consumption Business Model

Strategic cooperation

In January 2018, we entered into strategic cooperation agreements with Tencent Technology (Shenzhen) Co., Ltd. (騰訊科技(深圳)有限公司), Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), Suning Commerce Group Co., Ltd. (蘇寧雲商集團股份有限公司, currently Suning.com Group Co., Ltd. (蘇寧易購集團股份有限公司)) and Sunac (collectively, the "**Investor Group**"). Pursuant to the strategic cooperation agreements, the Investor Group acquired an approximately 14% equity interest in the Company held by investors who purchased the shares upon the Company's delisting from the Hong Kong Stock Exchange. We also collaborated with the Investor Group to build an integrated offline and online "New Consumption" business model in the PRC by utilising the online resources of the Investor Group and our offline commercial assets resources to provide Chinese consumers with a more intelligent and convenient consumption experience, as well as achieving mutual benefits for both our businesses and those of the members of the Investor Group.

Joint Venture

On 31 May 2018, our Company, Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and Hainan Fapiaoer Science and Technology Co., Ltd. (海南高燈科技有限公司)("**Gaopeng**"), a Tencent-invested company engaging in electronic invoice business, announced that the three parties would invest CNY4,600 million and launch an internet technology joint venture to integrate both online and offline consumption and build a "New Consumption" business model. The joint venture, Shanghai Beyond Science Co., Ltd. (上海丙晟科技有限公司), incorporated in Shanghai on 8 June 2018, was held as to 51% by the Company, 42.48% by Linzhi Tencent Technology Co., Ltd. (林芝騰訊科技有限公司) and 6.52% by Gaopeng. The joint venture aims to leverage the three partners' strengths and integrate both online and offline businesses by transforming our offline presence into smart shopping malls and driving online traffic through Tencent's social platforms, including WeChat. Through the joint venture, the Company expects to build digital assets of smart plazas and link shopping centres, shop owners and consumers closely to form an integrated digital system and greatly enhance shopping efficiency and consumer experience. The new model is also expected to transform the consumers visiting Wanda Plazas into members of a larger Wanda system, which provides consumers with a much wider range of products and services such as financial services, and cultural and sporting events.

Customers

Investment property leasing and management

In this segment, we primarily target tenants who are oriented towards middle-class consumers. Tenants of our investment properties primarily include well-known international and domestic retailers, cinemas, KTVs, supermarkets, department stores and restaurants.

Hotels

As for all hotels operated by us (including our self-owned hotels), our customers generally include MICE (meetings, incentives, conferences and exhibitions) clients and guests seeking to hold events or stay in up-scale or higher hotels, such as business people and tourists. The hotels we operate fall into those owned by third parties and those owned by ourselves.

For the hotels owned by third parties, we cooperate with premium international brands and target different types of customers according to the market positioning of the relevant brands. The majority of these brands target businesses and individuals with high spending power. After the disposal of our properties to R&F pursuant to the agreements we entered into with R&F in 2017, we have continued to provide hotel management services with respect to certain of the sold hotels that operate under our brand. We charge R&F management fees for providing hotel management services with respect to these hotels.

For the hotels we owned, Wanda Reign, Wanda Vista and Wanda Realm are positioned at the high-end and target business and high-end consumers. The other two, Wanda Jin and Wanda Moments, primarily target leisure-seeking and upper-middle class customers.

Competition

The commercial management and hotel operation markets in China is highly competitive and fragmented. We compete primarily with other commercial property operators and hotel operators in our principal business segments. Some of our competitors may have more financial and other resources than us and may be more sophisticated than us in terms of engineering, technical, marketing and management skills. We face competition from nearby properties in attracting office, retail and individual tenants in order to maintain high occupancy rates. Our hotels compete with other hotels, particularly those that offer a similar levels of service and prices. We believe that the major factors affecting competition in the commercial management and hotel operation markets include the operational and management capabilities of the management team. Other important factors include branding, financial resources, location, pricing and the quality of the properties. For the hotel industry, we believe that the brand name, room rates, availability of business and leisure facilities and service quality are the most important factors in providing a competitive advantage.

Insurance

We maintain insurance policies including (i) property all risk insurance, (ii) machinery damage and loss, (iii) work-related accidents, and (iv) third-party liability insurance. As at the date of this Offering Circular, we have not experienced any significant loss or damage to our properties. We believe we maintain adequate insurance coverage for our operations and the scope of the coverage is in line with industry norms.

Intellectual Property

We rely on a combination of copyright, trademark and domain name registrations to establish and protect our IT systems, brand names and logos, marketing designs and internet domain names. We have acquired copyrights for the core parts of our unique modularised IT systems that enable us to monitor and manage every aspect of our business operations more efficiently. Our principal brand names are registered trademarks in the PRC, and we have registered several domain names, including www.wanda.com.cn and www.wandaplazas.com.

As at the date of this Offering Circular, we do not believe that any individual property right or related group of intellectual property rights is of such importance that its expiration or termination would materially affect the business of the Company. As at the date of this Offering Circular, we are not aware of any infringement of our intellectual property rights by any third party.

Employees

As at 31 December 2020, we had a total of 47,801 full-time employees, not including the personnel at Wanda Plazas. In accordance with the relevant PRC laws and regulations, we contribute to social welfare insurance for our full-time employees in the PRC.

We are committed to recruiting, training and retaining skilled and experienced employees throughout our operations. We intend to achieve this by offering competitive remuneration packages as well as by focusing on training and career development. The comprehensive training system offered by our "Wanda Institute" covers the management, existing employees and new employees, and caters to meet their different training needs. We encourage our employees to grow with us. We make great efforts to provide our employees with a dynamic work environment, active training programmes, varied career development opportunities and a fair reward system that is aligned with their long-term performance.

Environmental and Safety Matters

We are subject to a number of environmental laws and regulations including the Environment Protection Law of the PRC (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law of the PRC (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), and Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Under these regulations, each of our properties, whether developed under our asset-light model or not, must undergo environmental assessments. Our operations are also subject to inspections by government authorities with regard to various safety and environmental issues. We believe that we are in compliance in all material respects with applicable PRC environmental laws and regulations.

We are also subject to various PRC laws and regulations in respect of labour, insurance, accidents, health and safety, including the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work-related Injury Insurances (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例 》), the Interim Measures for Childbirth Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), Production Safety Law of the PRC (《中華人民共和國安全生產法》) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

Legal Proceedings

From time to time we are involved in legal proceedings, claims or disputes in the ordinary course of business with our customers. At the date of this Offering Circular, there was no litigation or arbitration or claim pending or threatened against us or our Directors which could be expected to have a material adverse effect on our business, financial conditions and results of operations.

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property development projects and to finance our working capital requirements, we and our subsidiaries have entered into loan agreements with various financial institutions and obtained financing through debt offerings. We set forth below a summary of certain of these loans and other indebtedness.

PRC loans

As at 31 December 2020, we had approximately CNY164.5 billion of Renminbi-denominated loans outstanding. Our PRC loans are subject to certain covenants in the loan agreements between us and certain banks. For instance, certain loan agreements contain covenants pursuant to which we or our relevant operating subsidiaries may not enter into mergers or joint ventures, carry out any restructurings, decrease our or their respective registered share capital, transfer material assets or liquidate without the relevant lenders' prior written consent, or unless we fully settle the outstanding amounts under the relevant loan agreements.

Offshore bank facility

In December 2019, Wanda HK entered into a facility letter with E.Sun Commercial Bank, Ltd., Hong Kong Branch in relation to a medium-term revolving loan facility of US$20 million, which facility is guaranteed by the Company and has a term of two years. Each drawdown under this facility is for a period of up to 180 days and bears an interest at the rate of the sum of one-, two-, three- and six-month London Interbank Offered Rate ("**LIBOR**") plus 1.65% per annum or the sum of LIBOR plus 1.4% per annum if Wanda HK and the Company maintain a monthly average combined checking and savings account balance above a specified amount. As at the date of this Offering Circular, the total amount of the drawdown under this facility was US$20 million.

Offshore corporate bonds

On 30 January 2014, the 2014 Issuer issued US$600 million of the 2014 Guaranteed Bonds, which are unconditionally and irrevocably guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司. The 2014 Guaranteed Bonds bear interest at the rate of 7.25% per annum. The 2014 Guaranteed Bonds are listed on the Hong Kong Stock Exchange and will mature on 29 January 2024. The 2014 Guaranteed Bonds have the benefit of a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company.

On 5 December 2019, the 2019 (December) Issuer issued US$400 million of the 2019 (December) Guaranteed Bonds, which are unconditionally and irrevocably guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司. The 2019 (December) Guaranteed Bonds bear interest at the rate of 6.95% per annum. The 2019 (December) Guaranteed Bonds are listed on the Hong Kong Stock Exchange and will mature on 5 December 2022. The 2019 (December) Guaranteed Bonds have the benefit of a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company.

On 23 January 2020, the 2020 (January) Issuer issued US$400 million of the 2020 (January) Guaranteed Bonds, which are unconditionally and irrevocably guaranteed by Wanda HK, Wanda Real Estate Investments Limited 萬達地產投資有限公司 and Wanda Commercial Properties Overseas Limited 萬達商業地產海外有限公司. The 2020 (January) Guaranteed Bonds bear interest at the rate of 6.875% per annum. The 2020 (January) Guaranteed Bonds are listed on the Hong Kong Stock Exchange and will mature on 23 July 2023. The 2020 (January) Guaranteed Bonds have the benefit of a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company.

Keepwell deed

For each of the 2014 Guaranteed Bonds, the 2019 (December) Guaranteed Bonds and the 2020 (January) Guaranteed Bonds, the Company provided a keepwell deed, under which the Company undertook with the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Issuer, as the case may be, Wanda HK and The Bank of New York Mellon, London Branch as trustee that it would, directly or indirectly, own and hold all the outstanding shares of each of the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Issuer, as the case may be, and Wanda HK, and would not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares. In addition, the Company also undertook to cause each of the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Issuer, as the case may be, and Wanda HK to have a Consolidated Net Worth of at least US$1.00 at all times; each of the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Guaranteed Bonds, as the case may be, and Wanda HK to have sufficient liquidity to ensure timely payment by each of the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Issuer, as the case may be, and Wanda HK of any amounts payable in respect of the 2014 Guaranteed Bonds, the 2019 (December) Guaranteed Bonds or the 2020 (January) Guaranteed Bonds, as the case may be, and the guarantee of such bonds; and Wanda HK to have an aggregate Total Equity of at least HK$1,000,000,000 in respect of the 2014 Guaranteed Bonds or HK$800,000,000 in respect of the 2019 (December) Guaranteed Bonds and the 2020 (January) Guaranteed Bonds, as the case may be, at all times. The keepwell deed does not constitute a guarantee by the Company of the payment of any obligations of the 2014 Issuer, the 2019 (December) Issuer or the 2020 (January) Issuer, as the case may be, or Wanda HK.

Deed of equity interest purchase undertaking

The Company and The Bank of New York Mellon, London Branch as trustee entered into a deed of equity interest purchase undertaking on 29 January 2014 for the 2014 Guaranteed Bonds, on 5 December 2019 for the 2019 (December) Guaranteed Bonds and on 23 January 2020 for the 2020 (January) Guaranteed Bonds, respectively, pursuant to which the Company agreed to purchase, either by itself or through a PRC incorporated subsidiary of the Company, all or certain equity interests held by a guarantor of the 2014 Guaranteed Bonds, the 2019 (December) Guaranteed Bonds or the 2020 (January) Guaranteed Bonds, as the case may be, or any offshore subsidiary of the Company upon receiving a written purchase notice from The Bank of New York Mellon, London Branch as trustee.

Interest reserve account

The 2014 Issuer entered into an interest reserve account agreement with The Bank of New York Mellon, London Branch as trustee and the account bank, pursuant to which the 2014 Issuer deposited US$43,500,000, equivalent to the interest amount in respect of two interest periods on the 2014 Guaranteed Bonds, into the interest reserve account on 29 January 2014. For the life of the 2014 Guaranteed Bonds, subject to certain exceptions, the 2014 Issuer is required to maintain a credit balance in the interest reserve account that is equal to the prescribed amount.

Unlike the 2014 Guaranteed Bonds, the 2019 (December) Guaranteed Bond, the 2020 (January) Guaranteed Bonds and the Bonds do not have the benefit of an interest reserve account agreement.

PRC corporate bonds, medium-term notes and commercial mortgage-backed securities

PRC non-guaranteed corporate bonds

On 6 May 2016, the Company issued CNY8 billion of the second tranche of 2016 non-guaranteed corporate bonds, which bear interest at the rate of 3.95% per annum. The second tranche of 2016 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 6 May 2021. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds. On 2 April 2019, the Company announced adjustment of interest rate to 4.90% per annum, effective from 6 May 2019. The principal amount of the outstanding bonds was CNY8 billion.

On 24 May 2016, the Company issued CNY5 billion of the third tranche of 2016 non-guaranteed corporate bonds, which bear interest at the rate of 3.95% per annum. The third tranche of 2016 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 24 May 2021. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds. On 23 April 2019, the Company announced adjustment of interest rate to 4.80% per annum, effective from 24 May 2019. The principal amount of the outstanding bonds was CNY4.87 billion.

On 13 June 2016, the Company issued CNY3 billion of the fourth tranche of 2016 non-guaranteed corporate bonds, which bear interest at the rate of 3.88% per annum. The fourth tranche of 2016 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 13 June 2021. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds. On 15 May 2019, the Company announced adjustment of interest rate to 4.75% per annum, effective from 13 June 2019. The principal amount of the outstanding bonds was CNY3 billion.

On 12 July 2016, the Company issued CNY2 billion of the fifth tranche of 2016 non-guaranteed corporate bonds, which bear interest at the rate of 3.45% per annum. The fifth tranche of 2016 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 12 July 2021. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds. On 14 June 2019, the Company announced adjustment of interest rate to 4.70% per annum, effective from 12 July 2019. The principal amount of the outstanding bonds was CNY2 billion.

On 27 July 2016, the Company issued CNY2 billion of the sixth tranche of 2016 non-guaranteed corporate bonds, which bear interest at the rate of 3.36% per annum. The sixth tranche of 2016 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 27 July 2021. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds. On 1 July 2019, the Company announced adjustment of interest rate to 4.70% per annum, effective from 27 July 2019. The principal amount of the outstanding bonds was CNY2 billion.

On 9 September 2020, the Company issued CNY3.8 billion of the first tranche of 2020 non-guaranteed corporate bonds, which bear interest at the rate of 5.58% per annum. The first tranche of 2020 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 9 September 2025. At the end of the third year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds.

On 9 October 2020, the Company issued CNY2 billion of the second tranche of 2020 non-guaranteed corporate bonds, which bear interest at the rate of 5.50% per annum. The second tranche of 2020 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 9 October 2024. At the end of the second year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds.

On 28 October 2020, the Company issued CNY2.5 billion of the third tranche of 2020 non-guaranteed corporate bonds, which bear interest at the rate of 5.38% per annum. The third tranche of 2020 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 28 October 2024. At the end of the second year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds.

On 4 December 2020, the Company issued CNY1.5 billion of the fourth tranche of 2020 non-guaranteed corporate bonds, which bear interest at the rate of 6.00% per annum. The fourth tranche of 2020 non-guaranteed corporate bonds are listed on the Shanghai Stock Exchange and will mature on 4 December 2024. At the end of the second year, the Company has a right to adjust the interest rate, and the investors can exercise an option to sell back the bonds.

PRC non-guaranteed medium-term notes

On 26 April 2016, the Company issued CNY6 billion of the second tranche of 2016 non-guaranteed medium-term notes, which bear interest at the rate of 4.00% per annum. The second tranche of 2016 non-guaranteed medium-term notes will mature on 28 April 2021.

On 16 April 2020, the Company issued CNY5 billion of the first tranche of 2020 non-guaranteed medium-term notes, which bear interest at the rate of 4.89% per annum. The first tranche of 2020 non-guaranteed medium-term notes will mature on 17 April 2023.

On 1 June 2020, the Company issued CNY2 billion of the second tranche of 2020 non-guaranteed medium-term notes, which bear interest at the rate of 4.70% per annum. The second tranche of 2020 non-guaranteed medium-term notes will mature on 3 June 2023.

On 8 July 2020, the Company issued CNY5 billion of the third tranche of 2020 non-guaranteed medium-term notes, which bear interest at the rate of 5.20% per annum. The third tranche of 2020 non-guaranteed medium-term notes will mature on 10 July 2023.

On 27 July 2020, the Company issued CNY3.5 billion of the fourth tranche of 2020 non-guaranteed medium-term notes, which bear interest at the rate of 5.38% per annum. The fourth tranche of 2020 non-guaranteed medium-term notes will mature on 29 July 2023.

On 10 November 2020, the Company issued CNY2.5 billion of the fifth tranche of 2020 non-guaranteed medium-term notes, which bear interest at the rate of 5.58% per annum. The fifth tranche of 2020 non-guaranteed medium-term notes will mature on 12 November 2023.

On 24 March 2021, the Company issued CNY1 billion of the first tranche of 2021 non-guaranteed medium-term notes, which bear interest at the rate of 6.20% per annum. The first tranche of 2021 non-guaranteed medium-term notes will mature on 25 March 2024.

On 9 April 2021, the Company issued CNY1 billion of the second tranche of 2021 non-guaranteed medium-term notes, which bear interest at the rate of 6.20% per annum. The second tranche of 2021 non-guaranteed medium-term notes will mature on 12 April 2024.

PRC commercial mortgage-backed securities

On 31 July 2019, the Company issued CNY2.7 billion of the first tranche of Wanda Plaza Yangtze River Economic Belt Commercial Mortgage-Backed Securities (the "**CMBS**"). The CMBS are secured by the property assets of two Wanda Plazas, namely Shanghai Songjiang Wanda Plaza (上海松江萬達廣場) and Ningbo Jiangbei Wanda Plaza (寧波江北萬達廣場), and the rights to receive rental income generated from the two Wanda Plazas. The CMBS are listed on the Shanghai Stock Exchange and are expected to mature on 23 January 2037.

The CMBS comprise Senior CMBS and Subordinated CMBS. The Senior CMBS had an issuance size of CNY2.6 billion with a rate of return of 6% per annum and were subscribed for by qualified investors, while the Subordinated CMBS had an issuance size of CNY0.1 billion with no return and were held by the Company. The Senior CMBS rank senior in right of payment to the Subordinated CMBS. The Company may adjust the rate of return in respect of the Senior CMBS every three years after the year the CMBS were issued and has the preferential right to repurchase the CMBS.

In connection with the CMBS, the Company entered into a shortfall payment undertaking letter (差額支付承諾函), pursuant to which the Company undertook to make up the shortfall if the relevant payment accounts have insufficient capital to cover the amounts due and payable under the CMBS.

Customer guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of properties we historically developed and sold. Our guarantee periods commence from the dates that the relevant mortgage loans are granted and end upon the earlier of (i) the satisfaction of the relevant mortgage loans by the purchasers of the properties and (ii) the issuance of property ownership certificates for the relevant mortgaged properties. As at 31 December 2020, we had provided an aggregate CNY4,185 million in guarantees to our customers.

DIRECTORS AND MANAGEMENT

Directors

The Board currently consists of six Directors and three independent Directors.

The following table sets out certain information regarding the Directors.

Name	Age
Directors	
Mr. QI Jie (齊界)	54
Mr. XIAO Guangrui (肖廣瑞)	50
Mr. HAN Xu (韓旭)	49
Mr. WANG Zhibin (王志彬)	47
Mr. LI Zhaohui (李朝輝)	45
Mr. JIANG Yong (蔣勇)	49
Independent Directors	
Dr. CHEN Hanwen (陳漢文)	52
Mr. LIU Jipeng (劉紀鵬)	64
Dr. XUE Yunkui (薛雲奎)	56

Mr. QI Jie, aged 54, is a Director of the Company and the chairman of the Board. He concurrently serves as a director and the president of Wanda Group and a director of Wanda Real Estate Group and Wanda Culture Group. From July 2013 to November 2017, Mr. Qi served as a non-executive director of the Hong Kong Listco. After joining Wanda Group in April 2000, Mr. Qi served in various positions in Wanda Group and its subsidiaries, including the president, an executive president and vice president of the Company and the general manager, assistant to the president and general manager of the cost control department of the Southern Project Management Centre (南方項目管理中心).

Mr. Qi graduated with a master's degree in philosophy from Dalian University of Technology (大連理工大學) in April 1991. Mr. Qi was authorised as a Certified Public Accountant (註冊會計師) by the Ministry of Finance of the PRC (中國財政部) in April 1998 and as a Registered Tax Agent (註冊稅務師) by the Dalian Bureau of Human Resources (大連市人事局), now the Bureau of Human Resources and Social Security of Dalian (大連市人力資源和社會保障局), in May 2000.

Mr. XIAO Guangrui, aged 50, is a Director of the Company. He concurrently serves as a director of Wanda Group. Mr. Xiao formerly served in various positions in the Company, including a general manager of the department of human resources, assistant to the president, vice president and executive president, and was a vice president of Wanda Culture Group. Prior to joining the Company, Mr. Xiao worked for the First Affiliated Hospital of Dalian Medical University (大連醫科大學附屬第一醫院), Dalian Pharmaceutical Group (大連醫藥集團) and Dalian Sanhuan Group (大連三寰集團) and was responsible for management affairs at these entities.

Mr. Xiao graduated with a bachelor's degree in Chinese language study from Liaoning Normal University (遼寧師範大學) in July 1992 and a master's degree in business administration from Dalian University of Technology (大連理工大學) in July 2000.

Mr. HAN Xu, aged 49, is a Director of the Company. He concurrently serves as a director, a senior vice president and the general manager of the finance management centre of Wanda Group and a non-executive director of the Hong Kong Listco. He joined Wanda Group in 2002 and has served in various positions including the chief economist of the finance department of Wanda Group. Prior to joining Wanda Group, he had worked for Sinotrans Dalian Company (中國外運大連公司) and Rickmers-Linie's Dalian Representative Office.

Mr. Han graduated with a master's degree in business administration from Dongbei University of Finance and Economics (東北財經大學) in July 2002.

Mr. WANG Zhibin, aged 47, is a Director and an executive vice president of the Company. After joining Wanda Group in November 2007, he held various positions in Wanda Group and its subsidiaries, including a vice president of the Company and the president of Wanda Commercial Management. Prior to joining Wanda Group, he served as the head of heating, ventilation and air conditioning of BCEGC Wujian Decoration Company (北京建工集團五建裝飾公司), a manager of the engineering department of Beijing Riviera Villas Real Estate Development Co., Ltd. (北京香江花園別墅房產開發有限公司) and the head of northwestern properties, the head of Tianjin properties and an associate director of the facilities and properties department of DTZ Property Management (Beijing) Co., Ltd. (北京戴德梁行物業管理有限公司).

Mr. Wang graduated with a bachelor's degree in heating, ventilation and air conditioning engineering from Tianjin University (天津大學) and was qualified as an intermediate engineer in August 2001.

Mr. LI Zhaohui, aged 45, is a Director of the Company. He joined the merger and acquisition department of Tencent in 2010 and currently serves as a vice president of Tencent and a managing partner of Tencent Investment. Mr. Li has been a director of Yonghui Yunchuang Science Co., Ltd. (永輝雲創科技有限公司), a subsidiary of Yonghui Superstores Co., Ltd (永輝超市股份有限公司)(a company listed on the Shanghai Stock Exchange, stock code: 601933) since March 2018 and is a director of Ke Holdings Inc. (a company listed on the New York Stock Exchange, stock code: BEKE). Between 2008 and 2010, Mr. Li served as an investment principal at Bertelsmann Asia Investment.

Mr. Li graduated with a bachelor's degree from the Guanghua School of Management of Peking University (北京大學) in 1998 and a master's degree in business administration from Duke University's Fuqua School of Business in 2004.

Mr. JIANG Yong, aged 49, is a Director of the Company. He concurrently serves as an executive president of the development headquarters of Suning.Com Co., Ltd. (蘇甯易購集團股份有限公司). After joined Suning in June 1995, Mr. Jiang served in various positions in Suning, including a business manager of Guangzhou Branch and Beijing Branch of Suning Domestic Appliance Co., Ltd. (蘇寧交家電有限公司) and the general manager of Shanghai Branch, vice president of the marketing management centre and president of the chain development centre of Suning Appliance Chain Store (Group) Co., Ltd. (蘇寧電器連鎖集團股份有限公司) and an executive vice president of the development headquarters of Suning.Com Co., Ltd. (蘇甯易購集團股份有限公司).

Mr. Jiang graduated from Jiangsu Business Management Cadre College (江蘇省商業管理幹部學院) in June 1995.

Dr. CHEN Hanwen, aged 52, is an independent Director of the Company. He is currently a professor of the University of International Business and Economics (對外經濟貿易大學國際商學院). Dr. Chen concurrently serves as an independent director of Shanghai Fuiou Payment Service Co., Ltd. (上海富友支付服務股份有限公司), an independent director of Xiamen Bank Co., Ltd. (廈門銀行股份有限公司), an independent director of Xiamen International Bank Co., Ltd. (廈門國際銀行股份有限公司) and an independent director of Beijing Tri-Prime Gene Pharmaceutical Co., Ltd. (北京三元基因藥業股份有限公司)(a company listed on the National Equities Exchange and Quotations, stock code: 837344). Dr. Chen previously served in several positions at Xiamen University (廈門大學), including secretary general of the Academic Committee, vice dean of the Graduate School, vice dean of the Management School and the dean of the Department of Accounting. For the period from 2011 to 2017, Dr. Chen served as an independent director of Industrial Securities Co., Ltd. (興業證券股份有限公司)(a company listed on the Shanghai Stock Exchange, stock code: 601377) and, for the period from 2015 to 2017, Dr. Chen served as an independent director of Minsheng Holdings Co., Ltd. (民生控股股份有限

公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000416). For the period from 2017 to 2020, Dr. Chen served as an independent director of Yango Group Co., Ltd.(陽光城集團股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000671).

Dr. Chen graduated with a doctoral degree in economics and a bachelor's degree in economics from Xiamen University in 1997 and 1990, respectively.

Mr. LIU Jipeng, aged 64, is an independent Director of the Company. He concurrently serves as an independent director of China Oceanwide Holdings Limited(中泛控股有限公司)(a company listed on the HKSE, stock code: 00715), China Minsheng Banking Corp., Ltd.(中國民生銀行股份有限公司)(a company listed on the Shanghai Stock Exchange, stock code: 600016, and the HKSE, stock code: 01988), China Tonghai International Financial Limited(中國通海國際金融有限公司)(a company listed on the HKSE, stock code: 00952), Zhongjin Gold Corporation Limited(中金黃金股份有限公司)(a company listed on the Shanghai Stock Exchange, stock code: 600489), Chongqing Changan Automobile Company Limited(重慶長安汽車股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000625) and Valiant Co., Ltd.(中節能萬潤股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002643). Mr. Liu has served as a vice chairman of China Enterprise Reform and Development Society(中國企業改革與發展研究會)since 2012, a professor, a doctoral supervisor and the dean of the Capital Finance Research Institute of China University of Political Science and Law(中國政法大學)since 2015, a vice director of Independent Director Committee of China Association for Public Companies(中國上市公司協會)since 2016, a second-tier professor and the dean of Faculty of Business of China University of Political Science and Law(中國政法大學)since November 2016 and a legal counsel of the State-Owned Assets Supervision and Administration Commission of the State Council(國務院國有資產監督管理委員會)since 2017. Mr. Liu served as an independent Director of the Company from December 2009 to January 2016 and an independent director of AVIC Capital Co., Ltd.(中航資本控股股份有限公司)from May 2015 to May 2017.

Mr. Liu graduated with a bachelor's degree in economics from Beijing Economics Institute(北京經濟學院)in July 1983 and a master's degree in economics from Chinese Academy of Social Sciences(中國社會科學院)in July 1986.

Dr. XUE Yunkui, aged 56, is an independent Director of the Company. Mr. Xue is also an independent director of Midea Group Co., Ltd.(美的集團股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000333). He currently serves as a professor in accounting of Cheung Kong Graduate School of Business(長江商學院)and was a vice dean of Cheung Kong Graduate School of Business(長江商學院), vice dean of the accounting faculty of Shanghai University of Finance and Economics(上海財經大學)and vice dean of Shanghai National Accounting Institute(上海國家會計學院).

Dr. Xue graduated from the Southwestern University of Finance and Economics(西南財經大學)in July 1980. He received a Ph.D. from the Southwest University(西南大學)in June 1995.

Senior management

The senior management is responsible for the day-to-day operation of the Company's business. The following table sets forth information regarding the senior management:

Name	Age
Mr. XIAO Guangrui (肖廣瑞)	50
Dr. NING Qifeng (寧奇峰)	55
Mr. WANG Zhibin (王志彬)	47
Mr. HAN Yang (韓揚)	50
Mr. SUN Yazhou (孫亞洲)	49
Mr. LIU Guangmin (劉光敏)	44
Mr. PAN Taonan (潘韜男)	49
Mr. XU Chengning (許承寧)	52

Mr. XIAO Guangrui is the president of the Company. For Mr. Xiao's biography, see "*Directors*" in this section.

Dr. NING Qifeng, aged 55, is the chief vice president of the Company and concurrently serves as an executive director of Hong Kong Listco. He formerly served as an assistant to the president, vice president and senior vice president of the Company, the general manager of Wanda Hotel Construction Co., Ltd. (萬達酒店建設有限公司) and the chairman of Wanda Commercial Planning & Research Institute (萬達商業規劃研究院). Prior to joining the Company, Dr. Ning served as an instructor at Xi'an Jiaotong University (西安交通大學), the chairman of Jingye Design Institute of Xi'an Jingye Group (西安敬業集團) and the chief engineer of Shenzhen Branch of Guangdong Urban Planning and Design Institute (廣東省城市規劃設計院).

Dr. Ning graduated with a bachelor's degree from Northwest Institute of Construction Engineering (西北建築工程學院) in July 1986, a master's degree from Xi'an Institute of Metallurgy and Construction Engineering (西北冶金建築學院) in July 1992 and a Ph.D. from Tongji University (同濟大學) in May 2004.

Mr. WANG Zhibin is the executive vice president of the Company. For Mr. Wang's biography, see "*Directors*" in this section.

Mr. HAN Yang, aged 50, is a vice president of the Company. After joining the Company in May 2010, he served in various positions in the Company, including the general manager of the project companies in Shaoxing and Jinhua, an assistant to the president and the general manager of the Cost Management Centre (成本管理中心), a senior assistant to the president and a deputy general manager of the Southern Project Management Centre (南區項目管理中心), a senior assistant to the president and the general manager of the Engineering Property Centre (工程物業中心). Prior to joining the Company, he held management positions in Jiangsu Future Land Co., Ltd. (江蘇新城地產股份有限公司), Jiangsu Jianghai Real Estate Development Co., Ltd. (江蘇江海房地產開發有限公司) and Yangzhou Branch of China Construction Bank (中國建設銀行揚州分行).

Mr. Han graduated with a bachelor's degree from Hohai University (河海大學) in July 1992.

Mr. SUN Yazhou, aged 49, is a vice president of the Company. After joining the Company in November 2008, he served in various positions in the Company, including the general manager of our Taiyuan and Fuzhou commercial management companies, the general manager of our Fuzhou, Shanghai and Beijing regional companies, a vice president and general manager of the Northern Operating Centre (北區運營中心), the general manager of the Business Promotion Centre (招商中心), an assistant to senior president, the general manager of the North China Operating Centre (華北運營中心) and the chief assistant to president. Prior to joining the Company, he held management positions in Beijing

Dongfang Kangtai Real Estate Development Management Co., Ltd. (北京東方康泰房地產開發經營有限責任公司), Beijing Dixin Real Estate Development Co., Ltd. (北京地鑫房地產開發有限責任公司) and Beijing Zhongjinxin Information Co., Ltd. (北京中金信信息有限公司).

Mr. Sun graduated with a bachelor's degree from Capital Normal University (首都師範大學) in July 1992 and a master's degree from University of International Business and Economics (對外經濟貿易大學) in July 2001.

Mr. LIU Guangmin, aged 44, is a vice president of the Company. After joining the Company in January 2003, Mr. Liu held various positions in the Company, including a manager of the cost control department of our Jinan and Ningbo project companies, a vice general manager of our Hohhot and Guangzhou project companies, an assistant to president, and assistant to senior president, the general manager of cost control department, the chief assistant to president, the general manager of the Cost Control Centre (成本控制中心) and the general manager of the Engineering Property Centre (工程物業中心). Prior to joining the Company, he held management positions at Shandong Kuangshan Real Estate Development Co., Ltd. (山東匡山房地產開發公司).

Mr. Liu graduated with a bachelor's degree from Shandong University of Finance (山東財政學院)(currently known as Shandong University of Finance and Economics (山東財經大學)) in July 1997.

Mr. PAN Taonan, aged 49, is a vice president of the Company and the president of our Northern Company (北區公司). After joining the Company in June 2014, Mr. Pan held various positions in the Company, including the general manager of our Shenyang regional company and Heilongjiang regional company, a vice general manager, executive vice general manager and general manager of operating and management department of the Northeast Operating Centre (東北運營中心), the general manager, assistant to president and senior assistant to president of the East China Operating Centre (華東運營中心). Prior to joining the Company, he held management positions in Harbin International Trade City (哈爾濱國際貿易城), Harbin Guorun Company (哈爾濱國潤公司), Harbin Institute of Technology Group Hongbo Commercial Company (哈爾濱工大集團紅博商業公司) and Renhe Commercial Holdings Company Limited (人和商業控股有限公司).

Mr. Liu graduated from Harbin Institute of Electrical Technology (哈爾濱電工學院)(currently known as Harbin University of Science and Technology (哈爾濱理工大學)) in July 1994 and graduated with a master's degree in business administration from T.E.D. Huaxia School of Management (新加坡華夏管理學院) in May 2003.

Mr. XU Chengning, aged 52, is the chief financial officer and a board secretary of the Company. After joining Wanda Group in September 2002, he served in various positions, including a vice general manager of a project company of the Company and a vice general manager of Dalian Wanda Hotel Construction Co., Ltd. (萬達酒店建設有限公司) and Wanda Film Holding Co., Ltd. (萬達電影股份有限公司)(formerly known as Wanda Cinema Line Co., Ltd. (萬達電影院線股份有限公司)). Prior to joining Wanda Group, he held a management position in Dalian Xinxing Enterprise Group (大連新型企業集團).

Mr. Xu graduated with a bachelor's degree in economics from Harbin Civil Engineering Institute (哈爾濱建築工程學院) in July 1990.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, so far as the Directors are aware, the following persons or institutions have beneficial interests or short positions in any shares or underlying shares of the Company, or who is directly and/or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company:

Shareholder	**Nature of interest**	**Total number of Ordinary Shares and underlying shares ('000)**	**Approximate percentage of shareholding in the total share capital of the Company as at 31 December 2020[(2)]**
Mr. WANG Jianlin[(1)]	Beneficial interest	237,100	5.24%
Dalian Wanda Group Co., Ltd	Beneficial interest	2,036,870	44.99%

Notes:

(1) This represents direct equity interest in the Company. As at 31 December 2020, Mr. WANG Jianlin was deemed to be interested in the shares of the Company through (i) his interest in (x) Dalian Wanda Group Co., Ltd., in which Mr. WANG Jianlin and his son directly and indirectly owned in aggregate 100% equity interest; and (y) Dalian Wanda Wentai Management Consulting Partnership (L.P.), in which Mr. WANG Jianlin owned 75.41% of its equity interest and which owned 3.59% equity interest in the Company; and (ii) his direct equity interest in the Company of 237,100,000 shares.

(2) The percentage in the table was calculated based on 4,527,347,600 shares of the Company in issue as at 31 December 2020.

PRC REGULATIONS

We are subject to and must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designated to implement such laws and regulations.

Legal Supervision over Property Management Services

On 28 May 2020, the National People's Congress approved the Civil Code of the People's Republic of China (《中華人民共和國民法典》)(the "**Civil Code**"), which come into effect on 1 January 2021 and replace the Property Law of the PRC (《中華人民共和國物權法》), the Contract Law of the PRC (《中華人民共和國合同法》) and several other basic civil laws in the PRC. The Civil Code and the Provisions on Property Management (《物業管理條例》) lay down the basic legal framework for the property management industry in China.

Qualification of Property Management Enterprises

According to the Regulations on Property Management (《物業管理條例》) promulgated by the State Council on 8 June 2003, taking effect on 1 September 2003 and amended on 26 August 2007 and 6 February 2016, a qualification system for companies engaging in property management activities has been adopted.

In accordance with the Measures for the Administration on Qualifications of Property Management Enterprises (《物業服務企業資質管理辦法》)(formerly known as《物業管理企業資質管理辦法》), which was promulgated by the Ministry of Construction on 17 March 2004, came into effect on 1 May 2004; was amended on 26 November 2007 and 4 May 2015, and abolished by the MOHURD on 8 March 2018, property management enterprises shall be classified into Level 1, Level 2 and Level 3 by qualifications based on relevant specific conditions.

In accordance with the Decision of the State Council on Canceling the Third Batch of Administrative Licencing Items Designated by the Central Government for Implementation by Local Governments (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》) promulgated by the State Council on 12 January 2017 and taking effect on the same day, the examination and approval of Level 2 and Level 3 qualifications of property management enterprises were cancelled. According to the Decision of the State Council on Canceling a Batch of Administrative Licencing Items (《國務院關於取消一批行政許可事項的決定》), which was promulgated by the State Council on 22 September 2017 and came into effect on the same day, the examination and approval of Level 1 qualification of property management enterprises was cancelled.

In accordance with the Notice of the General Office of the MOHURD on Effectively Implementing the Work of Canceling the Qualification Accreditation for Property Management Enterprises (《住房城鄉建設部辦公廳關於做好取消物業服務企業資質核定相關工作的通知》), which was promulgated on 15 December 2017 by the MOHURD and became effective on the same day, the application, change, renewal or re-application of the qualifications of property management enterprises shall no longer be accepted, and the qualifications obtained already shall not be a requirement in any way for property management enterprises to undertake new property management projects.

On 19 March 2018, the State Council promulgated the Decision of the State Council to Amend and Repeal Certain Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》)(Order of the State Council No. 698), according to which the Regulations on Property Management (《物業管理條例》) was amended. The Regulations on Property Management (2018 Revision)(《物業管理條例》)(2018年修正) has removed the qualification accreditation of the property management enterprises.

Appointment of Property Management Enterprises

According to the Civil Code, a quorum for the general meeting of the property owners to engage or dismiss a property management enterprise, to change the usage of common space or to conduct operating activities in common space or to decide for certain other matters shall consist of the property owners who hold no less than two-thirds of the total GFA of the exclusive area of the community and represent no less than than two-thirds of the total number of property owners. A general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of property owners who participate in the voting and hold more than half of the total GFA of the exclusive area owned by the voting owners and who represent more than half of the total number of property owners participating in the voting. For other matters, such as changing the usage of common space or conducting operating activities in common space, the approvals requires the affirmative votes of property owners who participate in the voting and hold more than 75% of the total GFA of the exclusive area owned by the voting owners and who represent more than 75% of the total number of property owners participating in the voting. In addition, the Civil Code explicitly requires that any income generated from the usage of common space in properties under management, net of any reasonable operating costs, shall belong to the property owners. Under the Civil Code, the income from the buildings and ancillary facilities shall be distributed according to the property owners' agreement or based on their respective proportion of the total GFA of the exclusive area of the community if there is no agreement or the agreement is ambiguous.

According to the Regulations on Property Management (2018 Revision)(《物業管理條例》(2018年修正)), a general meeting of the property owners of a community can engage or dismiss a property management enterprise with affirmative votes of owners who own more than half of the GFA of the community and who account for more than half of the total number of the property owners. Property owners' association, on behalf of the general meeting, can sign the property management contract with the property management enterprise engaged at the general meeting. Before the engagement of a property management enterprise by property owners and a general meeting of the property owners, a written preliminary service contract should be entered into between the property developer and the selected and engaged property management enterprise. The preliminary property management contract may stipulate the contract duration. If the property management contract signed by the property owners' association and the property management enterprise comes into force within the term of preliminary property management, the preliminary property management contract automatically terminates.

In addition, on 15 May 2009, the Supreme People's Court promulgated the Interpretation of the Supreme People's Court on Several Issues the Specific Application of Law in the Trial of Cases of Disputes over Property Management Service (《最高人民法院關於審理物業服務糾紛案件具體應用法律若干問題的解釋》)(the "**Interpretation**"), which came into effect on 1 October 2009 and amended on 1 January 2021. The Interpretation stipulates the interpretation principles applied by the court when hearing disputes on specific matters between property owners and property management enterprises. For example, the preliminary property management contract signed by the developer and the property management enterprise according to the relevant laws and regulations, and the property management contract signed by the property owners' association and property management enterprises hired by the general meeting according to the relevant laws and regulations are legally binding on property owners, the people's court shall not support a claim if property owners plead as property owners are not a party to the contract. The court shall support a claim if property owners' association or property owners appeal to the court to confirm that the clauses of property management service contracts which exempt the responsibility of property management enterprises or which aggravate the responsibility or harm the rights of property owners' association or property owners are invalid.

Fees Charged by Property Management Enterprises

According to the Measures on the Charges of Property Management Enterprise (《物業服務收費管理辦法》)(the "**Measures on the Charges**"), which was jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003 and came into effect on 1 January 2004, property management enterprises are permitted to charge fees from owners for the repair, maintenance and management of houses and ancillary facilities, equipment and venues and maintenance of the sanitation and order in relevant regions according to the property management contract.

The competent price administration department of the local people's governments at or above the county level and the competent property administration departments at the same level are responsible for supervising and regulating the fees charged by property management enterprises in their respective administrative regions. The fees charged by property management can be either the government guidance price or market-based price depending on the basis of the nature and features of relevant properties. If the fees charged subject to the government guidance price, the specific pricing principles shall be determined by the competent price administration departments and property administration departments of the people's governments of each province, autonomous region and municipality directly under the Central Government.

Dependent on the agreement between the property owners and property management enterprises, the fees for the property management services can be charged either as a lump sum basis or a commission basis. The lump sum basis refers to the charging mode requiring property owners to undertake the fixed property management expenses to property management enterprises who shall enjoy or assume the surplus or deficit. The commission basis refers that property management enterprises may collect its service fee in the proportion or amount as agreed from the property management income in advance, the rest of which shall be exclusively used on the items as stipulated in the property management contract, and property owners shall enjoy or assume the surplus or deficit.

In accordance with the Measures on the Charges, except the circumstance where the government guidance price shall be implemented, the market-based price applies to the property management fees. The standard of such fees is determined by the property management enterprise and the developer or property owners through negotiation.

According to the Provisions on Clearly Marking the Prices of Property Services (《物業服務收費明碼標價規定》), which was jointly promulgated by the NDRC and the Ministry of Construction on 19 July 2004 and came into effect on 1 October 2004, property management enterprises shall clearly mark the price, as well as state service items and standards and relevant information on services (including the property management services as stipulated in the property management service agreement as well as other services requested by property owners) provided to the owners. If the charging standard changes, property management enterprises shall adjust all relevant information one month before implementing the new standard and indicate the date of implementing the new standard. Property management enterprises shall neither use any false or misleading price items or mark prices in a false or misleading manner to commit price fraud, nor charge any fees not clearly specified, other than those expressly marked.

For example, in Guangdong, according to the Notice of Price Bureau and Housing and Urban Construction Department of Guangdong Province on the Measures of Property Service Fee (《廣東省物價局、廣東省住房和城鄉建設廳關於物業服務收費管理辦法的通知》)(Yue Jia [2010] No. 1), government guidance prices or market-regulated price shall be implemented for charges of property management in light of the nature and characteristics of different properties. The government guidance prices shall be implemented for the charges of property management of a residential property (including self-owned parking space and garages) before the establishment of the owners' congress, and market-regulated prices shall be implemented for the service fee of villas, residential properties (including self-owned parking space and garages) after the establishment of the owners' congress and other non-residential properties.

Property Management Service Outsourcing

In accordance with the Regulations on Property Management (2018 Revision), a property management enterprise may outsource a specific service within the property management area to a specialized service enterprise, but it shall not outsource all the property management business within such area to third parties.

Parking Service Fees

According to the Guidance on the Planning, Construction and Management of Urban Parking Facilities (《關於城市停車設施規劃建設及管理的指導意見》) (Jian Cheng 2010 No. 74) (jointly promulgated by the MOHURD, the NDRC and the Ministry of Public Security of the PRC and came into effect on 19 May 2010), a licensed management system shall be adopted with market access and exit standards and the open, fair and equitable selection of professional urban parking service enterprises.

Pursuant to Guidance on Further Improving Charging Policies for Motor Vehicle Parking Service (《關於進一步完善機動車停放服務收費政策的指導意見》) (Fa Gai Jia Ge [2015] No. 2975) (jointly promulgated by NDRC, MOHURD and Ministry of Transport on 15 December 2015 and came into effect on the same day), the fee charged in parking service shall be determined mainly by the market, and the scope of government guidance prices in parking services shall be gradually reduced to encourage the construction of parking facilities by social capital.

Fire Protection

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was promulgated by the Standing Committee of the National People's Congress on 29 April 1998, and was amended on 28 October 2008 and 23 April 2019, property management enterprises of residential districts shall carry out maintenance and administration of common firefighting facilities within the area under their management, and provide fire safety prevention services.

Intra-Group Lending

According to Section 61 of the General Principals of Loans (《貸款通則》) promulgated by the PBOC in 1996, lenders must be approved by the PBOC to engage in lending business, and hold a licence of Financial Institution Legal Person or a Financial Institution Business Licence issued by the PBOC, and be approved and registered by the administrative departments for the administration of industry and commerce. However, the Supreme People's Court of the PRC issued the Provisions of the Supreme People's Court on Certain Issues Concerning Application of Law in Trial of Cases Involving Private Lending, which became effective on 1 September 2015 and amended on 19 August 2020 and 29 December 2020, and provide that contracts of private lending between legal persons and other organisations for the need of production or business operation shall be generally held to be valid by the people's courts subject to limited exceptions. Where the interest rate agreed upon by the borrower and the lender does not exceed four times the market interest rate for one-year loan at the conclusion of the contract. annually and the lender requests the borrower to pay the interest according to the agreed interest rate, the people's courts shall uphold the request.

Land Use Rights

The land use rights in respect of the Company's land reserves will not be formally vested in the Company until it has received the relevant formal land use right certificates and failure to obtain or comply with land use rights could lead to confiscation of its land by the PRC government. Under current PRC land grant policies, the relevant authorities generally will not issue formal land use right certificates until the owner (i) has paid the land premium in full; and (ii) is in compliance with other land grant conditions. The land use rights in respect of the projects and the land that the Company may acquire in the future will not be formally vested in it until it has received the corresponding formal land use right certificates.

On 26 January 2011, the General Office of the State Council promulgated the Notice on Further Improving the Real Estate Market Regulation and Work-related Issues (《關於進一步做好房地產市場調控工作有關問題的通知》), which stipulates that the PRC government will confiscate land use rights and impose an idle land penalty if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract. There can be no assurance that there will not be delays in the authorities' issuance of the land use right certificates or the construction permits in respect of the Company's projects.

Laws and Regulations Relating to Foreign Investment

According to the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》)(No. 346 Order of the State Council) which was promulgated by the State Council on 11 February 2002 and came into effect on 1 April 2002, foreign investment projects are divided into four categories, namely "encouraged", "permitted", "restricted" and "prohibited" categories. Foreign investment projects of the encouraged, restricted and prohibited categories are listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》). Foreign investment projects that are not of the encouraged, restricted and prohibited categories belong to the permitted foreign investment projects which are not listed in the Catalogue of Industries for Guiding Foreign Investment.

On 15 March 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》)(the "**Foreign Investment Law**"), which came into effect on 1 January 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law of the People's Republic of China (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law of the People's Republic of China (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the "**foreign investors**") shall not invest in any sector forbidden by the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of treating domestic investments and foreign investments equally. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system in which foreign investors or foreign-funded enterprises shall submit the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which was promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, provides implementing measures and detailed rules to ensure the effective implementation of the Foreign Investment Law of the PRC. The Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was promulgated on 30 December 2019 and came into effect on 1 January 2020, sets out the details of the foreign investment information report system.

The Catalogue of Industries for Encouraged Foreign Investment (2020 Edition)(《鼓勵外商投資產業目錄(2020年版)》)(the "**Catalogue**") was promulgated by the National Development and Reform Commission (the "**NDRC**") and the Ministry of Commerce (the "**MOFCOM**") on 27 December 2020, and came into effect on 27 January 2021. Catalogue for the Guidance of Foreign Investment Industries (2019 Revision)(《外商投資產業指導目錄(2019年修訂)》) released on 30 June 2019 and the Catalog of Priority Industries for Foreign Investment in the Central-Western Region (2019 Revision)(《中西部地區外商投資優勢產業目錄(2019年修訂)》) released on 30 July 2019, were repealed simultaneously.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition)(《外商投資准入特別管理措施(負面清單)(2020年版)》) and Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (Edition 2020)(《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2020年版)》), both promulgated by the NDRC and the MOFCOM on 23 June 2020 and taking effect on 23 July 2020, the property management service does not fall into such categories which foreign investment is restricted or prohibited.

SAFE Regulation

The Subsidiary Guarantors' ability to satisfy its obligations under the Bonds and the Guarantee mainly depends upon the ability of the Subsidiary Guarantors' PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to them and, if applicable, to repay shareholder loans. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency to jurisdictions outside China. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE, by complying with certain procedural requirements. However, approval from the appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted to a jurisdiction outside China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access to foreign currencies for current account transactions in the future. The Subsidiary Guarantors' PRC subsidiaries must present certain documents to the SAFE, its authorised branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE. Prior to payment of interest and principal on any shareholder loan that the Subsidiary Guarantors make to their PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10 per cent, withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If the PRC foreign exchange control system prevents the Company from obtaining sufficient foreign currency, or if the Subsidiary Guarantors' PRC subsidiaries for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, such PRC subsidiary will be unable to pay the Subsidiary Guarantors dividends or interest and principal on shareholder loans, which may affect the Subsidiary Guarantors' ability to satisfy their obligations under the Bonds and the Guarantee.

SAFE Regulation on Current Account CNY Remittance

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186)(《關於擴大跨境貿易人民幣結算試點有關問題的通知》)(the "**Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (《關於擴大跨境貿易人民幣結算地區的通知》), which further expanded Renminbi cross-border trade settlement nationwide.

SAFE Regulation on Capital Account CNY Remittance

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (《國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知》)(the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM or its local counterparts' prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 3 December 2013, MOFCOM promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (《關於跨境人民幣直接投資有關問題的公告》). In accordance with the Announcement on Issues Concerning Cross-border RMB Direct Investment, the cross-border RMB direct investment and the reinvestment of the invested foreign-funded enterprises shall conform to the requirements of laws, regulations and relevant provisions on foreign investment and abide by relevant provisions of the industrial policy, safety review of foreign capital merger and acquisition and anti-monopoly review on foreign investment of the State. The foreign-funded enterprises shall not use any fund of cross-border RMB direct investment to make any direct or indirect investment in securities, financial derivatives (excluding the strategic investment in listed companies) or entrusted loans within China.

On 13 October 2011, PBOC promulgated the Measures on Administration of Renminbi Settlement for Foreign Direct Investment (《外商直接投資人民幣幣結算業務管理辦法》)(the "**PBOC Renminbi FDI Measures**"), which was amended on 5 June 2015, pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning Clarification of Certain Issues on Cross-border Renminbi Settlement (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》)(the "**PBOC Notice**") promulgated on 3 June 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, a foreign investor is allowed to open a Renminbi expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established, commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, if a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用賬戶) to pool the Renminbi proceeds, and the PRC parties selling stake in domestic enterprises to foreign investors can open Renminbi special deposit accounts for Renminbi-denominated equity transfer (人民幣股權轉讓專用存款帳戶) and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

CIT and Withholding Tax

Under the CIT Law, the Issuer or the Subsidiary Guarantors may be classified as a "resident enterprise" of China. Such classification could result in unfavourable tax consequences to the Issuer or the Subsidiary Guarantors and non-PRC Bondholders. Under the CIT Law, an enterprise established outside of China with a "de facto management organisation" located within China will be considered a "resident enterprise," and consequently will be treated in a manner similar to a Chinese enterprise for CIT purposes. The implementing rules of the CIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. On 22 April 2009, the SAT issued the Circular Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, which sets out the standards for determining whether the "de facto management body" of an enterprise registered outside of the PRC and mainly controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following conditions are met: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meeting are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management customarily reside within the PRC. On 27 July 2011, the SAT formulated Administrate Measures for Income Tax of Chinese-Controlled Resident Enterprise Registered Abroad (For Trial Implement Action)(《境外註冊中資控股居民企業所得稅管理辦法(試行)》), which was amended respectively on 1 June 2015, 1 October 2016 and 15 June 2018, and strengthened the administration of the collection of income tax of Chinese-controlled resident enterprises incorporated overseas. However, it is still unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise." If the PRC tax authorities determine that either the Issuer or any of the Subsidiary Guarantors is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavourable PRC tax consequences could follow. The Issuer or the Subsidiary Guarantors may be subject to CIT at a rate of 25 per cent, on its worldwide taxable income as well as PRC CIT reporting obligations. In the present case, this would mean that income such as interest from any investment of any portion of the offering proceeds and other income sourced from outside the PRC would be subject to PRC CIT at a rate of 25 per cent. If either the Issuer or any Subsidiary Guarantor is considered a "resident enterprise," interest payable to certain "non-resident enterprise" holders of the Bonds without establishment within the PRC or its incomes have no actual connection to its establishment inside the PRC may be treated as income derived from sources within China and be subject to PRC withholding tax at a rate of 10 per cent, or a lower rate for holders who qualify for the benefits of a double taxation treaty with China, and capital gains realised by such holders of the Bonds may be treated as income derived from sources within China and be subject to a 10 per cent. PRC tax. Furthermore, if the Issuer or any Subsidiary Guarantor is considered a "resident enterprise," interest or gains earned by nonresident individuals may be subject to PRC income tax at a rate of 20 per cent, or a lower rate for holders who qualify for the benefits of a double-taxation treaty with China.

Under the CIT Law, the profits of a foreign invested enterprise generated in 2008 and onwards which are distributed to its immediate holding company outside the PRC will be subject to a withholding tax rate of 10.0 per cent, or a lower treaty rate as contained in any income tax treaty or agreement to which China is a party. Pursuant to a special arrangement between Hong Kong and the PRC, such rate is lowered to 5.0 per cent, if a Hong Kong resident enterprise owns 25 per cent, or more equity interest in a PRC company. Some of the Company's PRC subsidiaries are currently wholly-owned by Hong Kong subsidiaries. According to the Announcement of the State Administration of Taxation on Promulgation of the Administrative Measures on Entitlement of Non-resident Taxpayers to Tax Treaty Benefits (Announcement 2019 No. 35 of the State Administration of Taxation, 《非居民納稅人享受協定待遇管理辦法》), which became effective on 1 January 2020, to enjoy preferential treatment, a non-resident taxpayer shall truthfully fill in the "Information Statement for Entitlement of Non-residents to Tax Treaty Benefits" (the "**Statement**"), and submit the Statement to its withholding agent at the time of declaration, and compile and retain the relevant materials specified in the Announcement for the relevant tax authorities' future inspection. If the competent tax authorities, during the follow-up management or tax refund verification, find that according to the materials provided by the withholding agent is not sufficient to prove that non-resident taxpayer meets the conditions to enjoy preferential treatment, or that the nonresident taxpayer may have committed evasion of taxes, then the competent tax authorities may require the non-resident taxpayer or its withholding agent to provide additional supplementary information within a stipulated period and to cooperate with the investigation. If the non-resident taxpayer or its withholding agent does not corporate and the competent tax authorities is not able to verify whether the conditions of enjoyment of the preferential treatment are met, then the competent tax authorities shall deem the non-resident taxpayers as not entitled to treaty benefits. In this case, the non-resident taxpayers shall be ordered to pay relevant taxes.

EXCHANGE RATE INFORMATION

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5% above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0%. Such floating band was further enlarged from 1.0 per cent. to 2.0 per cent., effective from 17 March 2014, as announced by the PBOC on 15 March 2014. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider such factor as the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change with respect to primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, so as to guide the market to measure the Renminbi exchange rate from a new perspective. The PRC government has since made and may in the future make further adjustments to the exchange rate system. Since 2016, the exchange rate of Renminbi against the US dollar experienced further fluctuation. Following the gradual appreciation against US dollar in 2017, Renminbi experienced a recent depreciation in value against US dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the PBOC set the RMB's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. This also occurred in early 2020 due to the adverse changes in the PRC economy mainly as a result of the COVID-19 outbreak. See "*Risk Factors – Risks relating to conducting business in the PRC – Fluctuation of the Renminbi, particularly against the US dollar, could materially affect our financial condition and results of operations*."

The following table sets forth the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board for and as at the period ends indicated.

	Noon Buying Rate			
Period	**Low**	**Average**(1)	**High**	**Period End**
	(Renminbi per US$1.00)			
2016	6.4480	6.6549	6.9580	6.8771
2017	6.5063	6.7350	6.9575	6.4773
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5208	6.8878	7.1681	6.5250
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4344	6.4601	6.4869	6.4730
March	6.4648	6.5109	6.5716	6.5518
April (through 16 April)	6.5203	6.5448	6.5649	6.5203

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds.

British Virgin Islands

The following summary contains a description of the principal tax laws of the British Virgin Islands, as in effect on the date hereof, and is subject to any change in the tax laws of the British Virgin Islands that may come into effect after such date (which may have retroactive effect).

Income Tax

As at the date of this Offering Circular, the Issuer is exempt from all provisions of the Income Tax Act of the British Virgin Islands, including with respect to all interest payable by the Issuer to persons who are not persons resident in the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

Withholding Tax

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer or any Subsidiary Guarantor incorporated under the laws of the British Virgin Islands may make under the transaction documents relating to the Bonds or under the Guarantee.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") as it is currently applied, Hong Kong profits tax may be charged on assessable profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Bonds is received by or accrues to a financial institution (as defined in the IRO) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds may be subject to Hong Kong profits tax.

Sums received by or accrued to a company, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

Estate Duty

There is no estate duty in Hong Kong, and thus, no estate duty is payable under the Estate Duty Ordinance in respect of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

CIT

Pursuant to the CIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management body" are within the territory of China are treated as PRC tax resident enterprises for the purpose of the CIT Law and must pay PRC enterprise income tax at the rate of 25% in respect of their taxable income sourced from both within and outside PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or any of the Subsidiary Guarantors is within the territory of PRC, the Issuer or the Subsidiary Guarantor may be held to be a PRC tax resident enterprise for the purpose of the CIT Law and be subject to PRC enterprise income tax at the rate of 25% on its taxable income sourced from both within and outside PRC. In the event that the Issuer or any of the Subsidiary Guarantors is treated as a non-resident enterprise and it does not have an establishment or place of business within the PRC, it should be subject to PRC enterprise income tax for income derived from or accrued in the PRC, at the tax rate of 10%. If the Issuer or any of the Subsidiary Guarantors has an establishment or place of business within the PRC while the income derived from or accrued in the PRC does not have a de facto relationship with that establishment or place of business, the tax rate of 10% shall also apply. As confirmed by the Issuer and the Subsidiary Guarantors, as at the date of this Offering Circular, neither the Issuer nor any of the Subsidiary Guarantors has been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the CIT Law.

However, there is no assurance that the Issuer or the Subsidiary Guarantors will not be treated as a PRC tax resident enterprise under the CIT Law and related implementation regulations in the future. Pursuant to the CIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment within the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent, who must withhold the tax amount from each payment. Accordingly, in the event the Issuer or the Subsidiary Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer or any Subsidiary Guarantor may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10% for non-PRC resident enterprise Bondholders without an establishment within the PRC or whose incomes have no connection to its establishment inside the PRC and 20% in the case of non-PRC resident individuals (in each case unless an applicable treaty provides otherwise). According to the double taxation arrangement between the PRC and Hong Kong, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Bonds. For other investors of the Bonds, according to the CIT Law and related implementation regulations, it is unclear whether the capital gains of nonresident enterprises derived from a sale or exchange of the Bonds will be subject to PRC income tax. If such capital gains are determined as income sourced in China by PRC tax authority, those non-resident enterprise holders, other than Hong Kong residents, may be subject to PRC enterprise income tax at a rate of 10 per cent, of the gross proceeds (unless other tax preferential treatments are provided by any special tax arrangements).

VAT

On 23 March 2016, the Ministry of Finance and SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》)(“**Circular 36**”), which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT. According to Circular 36, entities and individuals providing services within China are subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of the Bonds may be regarded as financial services by Bondholders that may be subject to VAT if the Issuer is a PRC resident enterprise for PRC tax purposes. Therefore, in the event the Issuer is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-PRC resident Bondholders may be subject to withholding VAT at the rate of 6% plus related local surcharges. In addition, if any of the Subsidiary Guarantors is deemed to be a PRC resident enterprise by the PRC tax authorities, it may be required to withhold VAT at the rate of 6% plus related surcharges from any interest it pays under the Guarantee.

It is uncertain whether VAT is applicable to any transfer of the Bonds between entities or individuals outside the PRC, but VAT shall be applicable if either the seller or buyer of Bonds is located inside the PRC. However, where a Bondholder who is an individual resells the Bonds, the VAT may be exempted according to Circular 36 if the resale of Bonds is treated as resale of financial products. For the redemption or repurchase of Bonds by the Issuer or the Subsidiary Guarantor (if it is deemed to be a PRC resident enterprise in the PRC by the PRC tax authorities), the Bondholders may be subject to PRC income taxes and PRC VAT plus the related surcharges (non-PRC resident individuals may be exempted from VAT (as well local surcharges) if the redemption is deemed as transfer of financial products or if the interest amount received by such non-PRC resident individuals is below certain threshold of imposing VAT), depending on whether relevant payment would be regarded as including interest or capital gains (tax treaties may provide preferential treatments if certain criteria are satisfied).

Since Circular 36 together with other laws and regulations pertaining to VAT reform is relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside the PRC, relevant contracts are signed outside the PRC and their governing law is not PRC law, as is expected to be the case).

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

United States' Foreign Account Tax Compliance Act Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payments". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

CLEARANCE AND SETTLEMENT

See "*Terms and Conditions of the Bonds*" for the definitions of certain capitalised terms used in this section.

Investors in the Bonds may hold Bonds through Euroclear or Clearstream. Initial settlement and all secondary trades will settle as described below. Although the Issuer understands that Euroclear and Clearstream will comply with the procedures provided below in order to facilitate transfers of Bonds among participants of Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be modified or discontinued at any time. None of the Issuer, the Subsidiary Guarantors, the Trustee, the Registrar, the Transfer Agents, the Principal Paying Agent, any other Paying Agents, any other Agent or any other agent of any of them will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations. With respect to clearance and settlement through Euroclear and Clearstream, the Issuer understands as follows:

The clearing systems

Euroclear and Clearstream

Euroclear and Clearstream hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial settlement

The Bonds will be issued initially in the form of a Global Certificate in book-entry form and will be deposited with a common depository for Euroclear and Clearstream. The Global Certificate will be registered in the name of a nominee of the common depositary for Euroclear and Clearstream. As necessary, the Registrar will adjust the amount of Bonds on the register for the amounts of Euroclear and Clearstream to reflect the amount of Bonds held through Euroclear and Clearstream, respectively. Investors' interests in Bonds held in book-entry form by Euroclear or Clearstream, as the case may be, will be represented through financial institutions acting on their behalf as direct and indirect participants in Euroclear or Clearstream, as the case may be. In additional, Euroclear and Clearstream may hold positions in the Bonds on behalf of their participants through their respective depositories.

Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional notes. Book-entry interests in the Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Issue Date against payment for value on the Issue Date. The Issuer will not impose any fees in respect of the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of maintenance and operation of accounts in Euroclear and Clearstream.

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Bonds where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between Euroclear and/or Clearstream participants

Secondary market trading between Euroclear participants and/or Clearstream participants will be settled using the procedures applicable to conventional notes in same-day funds.

SUBSCRIPTION AND SALE

The Issuer, the Subsidiary Guarantors and the Company have entered into a subscription agreement with Credit Suisse (Hong Kong) Limited, BOCOM International Securities Limited and Orient Securities (Hong Kong) Limited as the Joint Lead Managers dated 22 April 2021 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to issue the Bonds on 29 April 2021, and the Joint Lead Managers have agreed to subscribe and pay for the aggregate principal amount of the Bonds indicated opposite their respective names in the following table at an issue price of 100.00 per cent. of their principal amount.

Joint Lead Managers	Principal amount of Bonds to be subscribed
Credit Suisse (Hong Kong) Limited	US$305,000,000
BOCOM International Securities Limited	US$10,000,000
Orient Securities (Hong Kong) Limited	US$10,000,000
Total	US$325,000,000

The Subscription Agreement provides that the Issuer, the Company and the Subsidiary Guarantors will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective subsidiaries and affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and certain of their respective subsidiaries and affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for, and entered into certain commercial banking transactions with, the Issuer, the Company and the Subsidiary Guarantors, for which they have received or will receive customary fees and expenses.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Company and/or the Subsidiary Guarantors.

General

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Company, the Subsidiary Guarantors or the Joint Lead Managers.

Neither the Issuer, the Subsidiary Guarantors, the Company nor the Joint Lead Managers make any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Subsidiary Guarantors or the Company that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Joint Lead Managers will comply to the best of their respective knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular (in proof or final form) or any such other material, in all cases at its own expense. Each of the Joint Lead Managers will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery of the Bonds. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, this Offering Circular (in final form) or any amendment or supplement to it.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold, and agrees that it will not offer or sell, any Bonds and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Bonds and the Guarantee. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has represented, warranted and agreed that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**")), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds and the Guarantees in the United States.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to "professional investors" as defined in the Securities and Futures Ordinance ((Cap. 571) of Hong Kong) (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 2 75(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

The People's Republic of China

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions and Taiwan), except as permitted by the securities laws of the People's Republic of China.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

British Virgin Islands

No invitation has been or will be made directly or indirectly to the public in the British Virgin Islands or any natural person resident or citizen in the British Virgin Islands to subscribe for any of the Bonds. This offering circular does not constitute, and will not be, an offering of the Bonds to any person in the British Virgin Islands.

Taiwan

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan, except as permitted by the securities laws of Taiwan.

GENERAL INFORMATION

Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed, the Agency Agreement and the Keepwell Deed. The issue of the Bonds was authorised by resolutions of the sole director and the sole shareholder of the Issuer on 19 April 2021.

Wanda HK has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and the execution of the Keepwell Deed, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the sole director and the sole shareholder of Wanda HK on 19 April 2021.

Each of the Subsidiary Guarantors (other than Wanda HK) has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and the execution of the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the sole director and the sole shareholder of each Subsidiary Guarantor (other than Wanda HK) on 19 April 2021.

The Company has obtained all necessary consents, approvals and authorisations in connection with entry into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking and the entry into the transaction documents in connection with the Bonds was authorised by resolutions of the Board and the shareholders of the Company on 26 March 2021 and 4 April 2021, respectively.

PRC counsels to the Company and the Joint Lead Managers have advised that under current laws and regulations no approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to enter into the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking.

Legal Entity Identifier

The legal entity identifier of the Issuer is 549300BJ7FGBP0KHXY31.

Litigation

Except as disclosed in this Offering Circular, there are no material legal or arbitration proceedings against or affecting the Issuer, us, the Subsidiary Guarantors, any of our subsidiaries or any of our assets, and we are not aware of any pending or threatened proceedings, which are material in the context of this issue of the Bonds or the Guarantee.

No material adverse change

Except as disclosed herein, since 31 December 2020, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, management, business, condition (financial or otherwise), shareholders' equity, results of operations or prospects of us, the Issuer, the Subsidiary Guarantors and our subsidiaries, taken as a whole.

Documents available

Copies of our latest annual report and consolidated accounts and our latest unaudited interim consolidated accounts may be obtained free of charge, and copies of the Trust Deed, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Articles of Association of the Issuer, Wanda HK and the Company will be available for inspection, at our specified office at Unit 3007, 30th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours, so long as any of the Bonds is outstanding.

Clearing system and settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Bonds is set out forth below:

	ISIN	Common Code
Global Certificate representing the Bonds	XS2334068645	233406864

Financial Statements

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by E&Y, as stated in its report appearing herein. The audited consolidated financial statements of Wanda HK as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by E&Y, as stated in its report appearing herein.

The consolidated financial statements of the Company are prepared under IFRS and the consolidated financial statements of Wanda HK are prepared under HKFRS. These consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions.

Listing of the Bonds

Application will be made to The Stock Exchange of Hong Kong Limited for listing of and permission to deal in the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on or about 30 April 2021.

INDEX TO FINANCIAL STATEMENTS

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Independent auditor's report
To the members of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion
We have audited the consolidated financial statements of Dalian Wanda Commercial Management Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 135, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)
To the members of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Fair value of investment properties	
As at 31 December 2020, the carrying amount of investment properties, which were stated at fair value, was approximately RMB454,786 million. Management engages an external valuer to support its determination of the fair value of the investment properties. The valuation of the investment properties is highly dependent on estimates and assumptions, such as prevailing monthly market rents, prevailing market prices, the reversionary yield, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values. The disclosures about investment properties are included in note 2.4 "summary of significant accounting policies", note 3 "significant accounting judgements and estimates" and note 15 "investment properties" to the consolidated financial statements.	Our audit procedures included, among others, assessing the competence, capabilities and objectivity of the external valuer; reviewing the valuation report and holding discussion with management and the valuer to understand and assess the relevance and appropriateness of the valuation basis, methodology used and underlying assumptions applied; and obtaining and verifying the underlying data including comparable market transactions used by the valuer. We also involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies used and assessing the reasonableness of data used in the valuation report, by comparing the prevailing monthly market rents, prevailing market prices, reversionary yield, capitalisation rates, occupancy rates with comparative cases in active markets. Moreover, we assessed the adequacy of the related disclosures in the consolidated financial statements.

Independent auditor's report (continued)
To the members of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Responsibilities of the directors and those charged with governance for the consolidated financial statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)
To the members of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Yee Chung Man*.

Certified Public Accountants
Hong Kong
26 March 2021

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'million	2019 RMB'million
CONTINUING OPERATIONS			
Revenue	5	38,739	39,769
Cost of sales		(13,453)	(14,709)
Gross profit		25,286	25,060
Other income and gains	5	3,848	3,832
Increase in fair value of investment properties, net		6,386	12,024
Selling and distribution expenses		(2,060)	(1,195)
Administrative expenses		(4,264)	(3,958)
Other expenses	6	(778)	(620)
Finance costs	8	(10,158)	(10,017)
Share of profits and losses of joint ventures		(54)	(184)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	18,206	24,942
Income tax expense	9	(4,984)	(6,395)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		13,222	18,547
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	807	6,573
PROFIT FOR THE YEAR		14,029	25,120
Attributable to:			
Owners of the parent		13,721	24,423
Non-controlling interests		308	697
		14,029	25,120

	Notes	2020 RMB	2019 RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- For profit for the year	13	3.03	5.39
- For profit from continuing operations	13	2.86	4.04

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'million	2019 RMB'million
PROFIT FOR THE YEAR	14,029	25,120
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	(10)	(368)
Reclassification adjustments for a foreign operation disposed of during the year	5	-
Net gain on cash flow hedges	(1)	-
	(6)	(368)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Equity instruments designated at fair value through other comprehensive income	(147)	(1,114)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(153)	(1,482)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	13,876	23,638
Attributable to:		
Owners of the parent	13,601	22,921
Non-controlling interests	275	717
	13,876	23,638

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'million	2019 RMB'million (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,770	6,913
Investment properties	15	454,786	432,119
Right-of-use assets	16(a)	1,390	1,436
Goodwill	17	287	287
Other intangible assets	18	1,631	1,817
Investments in joint ventures	19	2,040	2,094
Equity investments designated at fair value through other comprehensive income	21	518	987
Financial assets at fair value through profit or loss	22	4,000	-
Long-term receivables		1,348	262
Deferred tax assets	20	875	687
Other non-current assets	23	-	2,733
Total non-current assets		473,645	449,335
CURRENT ASSETS			
Inventories	24	579	454
Prepaid tax	32	112	167
Trade and bills receivables	25	748	695
Contract assets		19	13
Prepayments, other receivables and other assets	26	6,945	11,869
Financial assets at fair value through profit or loss	22	6,000	7,000
Other current assets	23	33,840	31,740
Restricted cash	27	838	982
Cash and cash equivalents	27	40,648	64,761
		89,729	117,681
Assets of disposal groups classified as held for sale	10&11	179	12,736
Total current assets		89,908	130,417
CURRENT LIABILITIES			
Trade and bills payables	28	11,780	16,344
Other payables and accruals	29	28,596	30,657
Interest-bearing bank and other borrowings	30	12,015	7,942
Lease liabilities	16(b)	174	188
Dividend payables		-	46
Taxes payable	32	893	2,891
Bonds and notes	33	36,740	39,845
		90,198	97,913
Liabilities directly associated with the assets classified as held for sale	10&11	-	6,230
Total current liabilities		90,198	104,143
NET CURRENT ASSETS/ (LIABILITIES)		(290)	26,274
TOTAL ASSETS LESS CURRENT LIABILITIES		473,355	475,609

Continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	Notes	2020 RMB'million	2019 RMB'million (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		473,355	475,609
NON-CURRENT LIABILITIES			
Bonds and notes	33	36,753	43,543
Interest-bearing bank and other borrowings	30	88,207	90,207
Lease liabilities	16(b)	11,976	8,313
Deferred income	31	590	610
Deferred tax liabilities	20	58,859	55,310
Other non-current liabilities		263	313
Total non-current liabilities		196,648	198,296
Net assets		276,707	277,313
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	4,527	4,527
Reserves	35	269,054	259,626
		273,581	264,153
Non-controlling interests		3,126	13,160
Total equity		276,707	277,313

Director

Director

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent											
	Share capital RMB'million (note34)	Share premium RMB'million (note35(a))	Capital reserve RMB'million (note35(b))	Revaluation reserve RMB'million (note35(c))	Statutory reserve RMB'million (note35(d))	Exchange fluctuation reserve RMB'million	Hedging reserve RMB'million (note35(e))	Fair value reserve of FVOCI[1] RMB'million (note35(f))	Retained profits RMB'million	Total RMB'million	Non controlling interests RMB'million	Total equity RMB'million
At 1 January 2019	4,527	24,458	337	35	2,264	430	1	(843)	214,578	245,787	18,943	264,730
Profit for the year	-	-	-	-	-	-	-	-	24,423	24,423	697	25,120
Other comprehensive income for the year	-	-	-	-	-	(388)	-	(1,114)	-	(1,502)	20	(1,482)
Total comprehensive income for the year	-	-	-	-	-	(388)	-	(1,114)	24,423	22,921	717	23,638
Acquisition of non-controlling interests	-	-	161	-	-	-	-	-	-	161	(2,976)	(2,815)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(55)	(55)
Disposal of FVOCI	-	-	-	-	-	-	-	1,411	(1,411)	-	-	-
Capital reduction of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,224)	(2,224)
Share-based payments	-	-	52	-	-	-	-	-	(14)	38	-	38
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(1,245)	(1,245)
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(4,754)	(4,754)	-	(4,754)
At 31 December 2019	4,527	24,458*	550*	35*	2,264*	42*	1*	(546)*	232,822*	264,153	13,160	277,313

continued/…

[1] FVOCI: Financial assets at fair value through other comprehensive income

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2020

	Attributable to owners of the parent											
	Share capital RMB'million (note34)	Share premium RMB'million (note35(a))	Capital reserve RMB'million (note35(b))	Revaluation reserve RMB'million (note35(c))	Statutory reserve RMB'million (note35(d))	Exchange fluctuation reserve RMB'million	Hedging reserve RMB'million (note35(e))	Fair value reserve of FVOCI[2] RMB'million (note35(f))	Retained profits RMB'million	Total RMB'million	Non controlling interests RMB'million	Total equity RMB'million
At 1 January 2020	4,527	24,458	550	35	2,264	42	1	(546)	232,822	264,153	13,160	277,313
Profit for the year	-	-	-	-	-	-	-	-	13,721	13,721	308	14,029
Equity instruments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	(147)	-	(147)	-	(147)
Exchange differences on translation of foreign operations	-	-	-	-	-	23	-	-	-	23	(33)	(10)
Reclassification adjustments for a foreign operation disposed of during the year	-	-	-	-	-	5	-	-	-	5	-	5
Net gain on cash flow hedges	-	-	-	-	-	-	(1)	-	-	(1)	-	(1)
Total comprehensive income for the year	-	-	-	-	-	28	(1)	(147)	13,721	13,601	275	13,876
Business combination under common control	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,667)	(1,667)
Disposal equity interests to non-controlling interest	-	-	(367)	-	-	-	-	-	-	(367)	841	474
Capital reduction of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,194)	(4,194)
Acquisition of non-controlling interests	-	-	1,027	-	-	-	-	-	-	1,027	(4,941)	(3,914)
Share-based payments	-	-	(64)	-	-	-	-	-	(11)	(75)	-	(75)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(348)	(348)
Final 2019 dividend declared	-	-	-	-	-	-	-	-	(4,754)	(4,754)	-	(4,754)
At 31 December 2020	4,527	24,458*	1,142*	35*	2,264*	70*	-*	(693)*	241,778*	273,581	3,126	276,707

* These reserve accounts comprise the consolidated reserves of RMB269,054 million (2019: RMB259,626 million) in the consolidated statement of financial position.

[2] FVOCI: Financial assets at fair value through other comprehensive income

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'million	2019 RMB'million (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		18,206	24,942
From discontinued operations	11	669	12,635
Adjustments for:			
Finance costs		10,158	10,843
Share-based payments	36	(75)	38
Share of profits and losses of joint ventures		54	184
Bank interest income		(427)	(828)
Foreign exchange gain, net		(93)	(80)
Depreciation	14	383	500
Depreciation of right-of-use assets	16	110	133
Amortisation of other intangible assets	18	174	176
Covid-19-related rent concessions from lessors	16(b)	(30)	-
Impairment of property, plant and equipment	14	-	27
Impairment of trade receivables	25	63	27
Impairment of other receivables	26	33	989
Impairment of long-term receivables	6	267	-
Impairment of contract assets	6	1	-
Impairment of inventories	24	20	168
Impairment of goodwill	17	-	563
Impairment of assets of disposal classified as held for sale	6	-	165
Impairment of right-of-use assets	16(a)	-	257
(Gain)/Loss on disposal of items of property, plant and equipment, net		(15)	5
Gain on disposal of subsidiaries, net		(528)	(5,048)
Gain on financial products and trust products	5	(1,957)	(1,590)
Gain on entrusted loan	5	(213)	(1,261)
Increase in fair value of investment properties, net	15	(6,386)	(12,024)
Gain on equity investments designated at fair value through other comprehensive income		(43)	(98)
Impact on financing components and contrat incremental costs		-	(196)
		20,371	30,527
(Increase)/decrease in inventories		(774)	23,720
Increase in trade and bills receivables		(114)	(59)
Increase/(decrease) in prepayments, other receivables and other assets		1,586	(1,443)
Decrease in restricted cash		147	2,801
Decrease in trade and bills payables		(4,283)	(10,969)
Decrease in other payables and accruals		(704)	(19,515)
(Decrease)/increase in deferred income		(20)	79
Cash generated from operations		16,209	25,141
Interest received		427	828
Corporate income tax and land appreciation tax paid		(3,430)	(8,793)
Net cash flows from operating activities		13,206	17,176

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2020

	Notes	2020 RMB'million	2019 RMB'million (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(286)	(725)
Additions to investment properties		(12,660)	(7,672)
Additions to other intangible assets		(27)	(46)
Net proceeds from equity investments designated at fair value through other comprehensive income		365	852
Net proceeds to financial assets at fair value through profit or loss		(2,621)	(615)
Net proceeds from other current assets and other non-current assets		2,306	4,155
Proceeds from disposal of items of property, plant and equipment		33	2
Proceeds from disposal of prepaid land lease payments and permanent land		-	89
Disposal of assets of a disposal group classified as held for sale		-	2,925
Disposal of subsidiaries		4,117	(401)
Net cash flows used in investing activities		(8,773)	(1,436)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of bonds and notes		30,362	4,822
New bank loans		19,548	24,522
Repayment of bank loans		(17,256)	(18,838)
Repayment of bond and notes		(39,832)	(12,247)
Interest and bank charge paid		(10,211)	(10,405)
Dividends paid to non-controlling shareholders		(348)	(1,453)
Dividends paid		(4,800)	(4,743)
Principal portion of lease payments		(142)	(227)
Capital reduction of non-controlling shareholders		(4,192)	(2,119)
Business combination under common control		(866)	(366)
Acquisition of non-controlling interests		(3,643)	(2,609)
Advances for business combination under common control		(804)	(1,212)
Proceeds from disposal equity interests to non-controlling interest		200	-
Net cash flows used in financing activities		(31,984)	(24,875)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(27,551)	(9,135)
Cash and cash equivalents at beginning of year		68,297	77,362
Effect of foreign exchange rate changes, net		(98)	70
CASH AND CASH EQUIVALENTS AT END OF YEAR		40,648	68,297
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	27	40,648	64,761
Cash and cash equivalents classified as discontinued operations	11	-	3,536
Cash and cash equivalents as stated in the consolidated statement of cash flows		40,648	68,297

1. CORPORATE AND GROUP INFORMATION

Dalian Wanda Commercial Management Group Co., Ltd. (the “Company”) is a limited liability company incorporated in the People’s Republic of China (the “PRC”). The Company’s registered office is located at No. 539, Changjiang Road, Xigang District, Dalian, Mainland China.

The Company and its subsidiaries (together, the “Group”) are principally engaged in property leasing and management, property development and hotel operation. The Group is gradually transforming into a Group focused on commercial management, and will stop engaging in property development.

In the opinion of the Company’s directors (the “Directors”), the holding company of the Company is Dalian Wanda Group Co., Ltd. (the “Parent”), a company established in the PRC. The ultimate controlling shareholder is Mr. Wang Jianlin.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanxi Huayuan Wanda Industrial Development Co., Ltd.	陕西华源万达实业发展有限公司	PRC/Mainland China 26 November 1992	50,000	100%	-	Property leasing
Beijing Wanda Plaza Industrial Co., Ltd.	北京万达广场实业有限公司	PRC/Mainland China 10 October 1999	200,000	100%	-	Property leasing and hotel operation
Nanjing Wanda Commercial Property Management Co., Ltd.	南京万达商业物业管理有限公司	PRC/Mainland China 28 August 2001	50,000	100%	-	Property management
Nanchang Wanda Xingcheng Business Services Co., Ltd.	南昌万达星城商务服务有限公司	PRC/Mainland China 23 April 2002	50,000	100%	-	Property management
Shanghai Wanda Commercial Plaza Property Co., Ltd.	上海万达商业广场置业有限公司	PRC/Mainland China 13 December 2002	80,000	100%	-	Property leasing
Ningbo Wanda Commercial Plaza Co., Ltd.	宁波万达商业广场有限公司	PRC/Mainland China 16 February 2004	50,000	100%	-	Property leasing
Ningbo Wanda Property Management Co., Ltd.	宁波万达物业管理有限公司	PRC/Mainland China 1 September 2004	50,000	100%	-	Property management
Xi'an Wanda Commercial Plaza Co., Ltd.	西安万达商业广场有限公司	PRC/Mainland China 2 September 2005	50,000	100%	-	Property leasing
Suzhou Wanda Plaza Investment Co., Ltd.	苏州万达广场投资有限公司	PRC/Mainland China 19 January 2006	50,000	100%	-	Property leasing
Harbin Wanda Commercial Investment Co., Ltd.	哈尔滨万达商业投资有限公司	PRC/Mainland China 15 March 2006	34,000	100%	-	Property leasing
Chengdu Wanda Commercial Plaza Investment Co., Ltd.	成都万达商业广场投资有限公司	PRC/Mainland China 20 March 2006	50,000	100%	-	Property leasing
Chongqing Wanda Commercial Plaza Co., Ltd.	重庆万达商业广场有限公司	PRC/Mainland China 10 May 2006	50,000	100%	-	Property leasing
Wuxi Wanda Commercial Plaza Investment Co., Ltd.	无锡万达商业广场投资有限公司	PRC/Mainland China 19 October 2006	50,000	100%	-	Property leasing
Shenyang Tiexi Wanda Commercial Co., Ltd.	沈阳铁西万达商业有限公司	PRC/Mainland China 26 October 2006	1,600,000	100%	-	Property leasing
Wanda Commercial Planning Research Institute Co., Ltd.	万达商业规划研究院有限公司	PRC/Mainland China 9 January 2007	50,000	100%	-	Commercial planning and research
Wanda Commercial Management Group Co., Ltd.	万达商业管理集团有限公司	PRC/Mainland China 8 February 2007	50,000	100%	-	Commercial management
Chongqing Wanda Hotel Management Co., Ltd.	重庆万达酒店管理有限公司	PRC/Mainland China 30 March 2007	70,000	100%	-	Hotel management service
Beijing Wuhua Project Management Consulting Co., Ltd.	北京五华项目管理咨询有限公司	PRC/Mainland China 13 April 2007	50,000	100%	-	Hotel management service
Beijing Yinhe Wanda Business Management Co., Ltd.	北京银河万达企业管理有限公司	PRC/Mainland China 29 May 2007	18,000	100%	-	Property leasing
Sanya Wanda Hotel Co., Ltd.	三亚万达大酒店有限公司	PRC/Mainland China 17 July 2007	50,000	100%	-	Hotel operation
Jinan Wanda Commercial Plaza Property Co., Ltd.	济南万达商业广场置业有限公司	PRC/Mainland China 31 July 2007	50,000	100%	-	Property leasing
Nanjing Wanda Plaza Investment Co., Ltd.	南京万达广场投资有限公司	PRC/Mainland China 16 August 2007	300,000	100%	-	Property leasing
Qingdao Wanda Plaza Property Management Co., Ltd.	青岛万达广场物业管理有限公司	PRC/Mainland China 24 September 2007	50,000	100%	-	Property leasing
Jilin Diwang Property Development Co., Ltd.	吉林省地王置业开发有限公司	PRC/Mainland China 29 September 2007	50,000	100%	-	Property leasing
Shanghai Wanda Plaza Property Co., Ltd.	上海万达广场置业有限公司	PRC/Mainland China 20 November 2007	50,000	100%	-	Property leasing
Huai'an Wanda Plaza Investment Co., Ltd.	淮安万达广场投资有限公司	PRC/Mainland China 28 December 2007	50,000	100%	-	Property leasing
Shanxi Yinfeng Minle Property Co., Ltd.	陕西银丰民乐置业有限公司	PRC/Mainland China 30 May 2008	50,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Tangshan Wanda Plaza Commercial Co., Ltd.	唐山万达广场商务有限公司	PRC/Mainland China 12 November 2008	50,000	100%	-	Property leasing
Luoyang Wanda Industrial Co., Ltd.	洛阳万达实业有限公司	PRC/Mainland China 19 December 2008	50,000	100%	-	Property leasing
Shijiazhuang Wanda Plaza Investment Co., Ltd.	石家庄万达广场投资有限公司	PRC/Mainland China 29 December 2008	3,125,000	100%	-	Property leasing
Shanghai Jiading Wanda Investment Co., Ltd.	上海嘉定万达投资有限公司	PRC/Mainland China 11 February 2009	50,000	100%	-	Property leasing
Baotou Wanda Plaza Investment Co., Ltd.	包头万达广场投资有限公司	PRC/Mainland China 3 April 2009	100,000	100%	-	Property leasing
Hohhot Wanda Plaza Investment Co., Ltd.	呼和浩特万达广场投资有限公司	PRC/Mainland China 7 April 2009	100,000	100%	-	Property leasing
Yichang Wanda Plaza Investment Co., Ltd.	宜昌万达广场投资有限公司	PRC/Mainland China 10 April 2009	80,000	100%	-	Property leasing
Tianjin Hedong Wanda Shopping Center Co., Ltd.	天津河东万达商场有限公司	PRC/Mainland China 16 April 2009	100,000	100%	-	Property leasing
Wuhan Wanda Plaza Investment Co., Ltd.	武汉万达广场投资有限公司	PRC/Mainland China 28 April 2009	50,000	100%	-	Propertyleasing
Dalian Yifang Commercial Investment Co., Ltd.	大连一方商业投资有限公司	PRC/Mainland China 31 May 2009	20,000	100%	-	Property leasing
Fuzhou Wanda Plaza Investment Co., Ltd.	福州万达广场投资有限公司	PRC/Mainland China 10 June 2009	1,100,000	100%	-	Property leasing
Xiangyang Wanda Plaza Business Management Co., Ltd.	襄阳万达广场企业管理有限公司	PRC/Mainland China 10 June 2009	50,000	100%	-	Property leasing
Hefei Wanda Plaza Commercial Development Co., Ltd.	合肥万达广场商业发展有限公司	PRC/Mainland China 12 June 2009	40,000	100%	-	Property leasing
Shaoxing Keqiao Wanda Plaza Investment Co., Ltd.	绍兴柯桥万达广场投资有限公司	PRC/Mainland China 31 July 2009	50,000	100%	-	Property leasing
Ningbo Jiangbei Wanda Plaza Investment Co., Ltd.	宁波江北万达广场投资有限公司	PRC/Mainland China 19 August 2009	100,000	100%	-	Property leasing
Chengdu Jinniu Wanda Plaza Investment Co., Ltd.	成都金牛万达广场投资有限公司	PRC/Mainland China 27 August 2009	50,000	100%	-	Property leasing
Zhengzhou Wanda Plaza Investment Co., Ltd.	郑州万达广场投资有限公司	PRC/Mainland China 14 October 2009	60,010	100%	-	Property leasing
Guangzhou Wanda Plaza Investment Co., Ltd.	广州万达广场投资有限公司	PRC/Mainland China 20 October 2009	1,632,650	100%	-	Property leasing
Daqing Saertu Wanda Plaza Investment Co., Ltd.	大庆萨尔图万达广场投资有限公司	PRC/Mainland China 3 November 2009	50,000	100%	-	Property leasing
Zhenjiang Wanda Plaza Investment Co., Ltd.	镇江万达广场投资有限公司	PRC/Mainland China 25 November 2009	100,000	100%	-	Property leasing
Yinchuan Jinfeng Wanda Plaza Investment Co., Ltd.	银川金凤万达广场投资有限公司	PRC/Mainland China 10 December 2009	100,000	100%	-	Property leasing
Xiamen Huli Wanda Plaza Investment Co., Ltd.	厦门湖里万达广场投资有限公司	PRC/Mainland China 11 March 2010	20,000	100%	-	Property leasing
Wuhan Jingkai Wanda Plaza Investment Co., Ltd.	武汉经开万达广场投资有限公司	PRC/Mainland China 23 March 2010	50,000	100%	-	Property leasing
Taizhou Hailing Wanda Plaza Investment Co., Ltd.	泰州海陵万达广场投资有限公司	PRC/Mainland China 24 March 2010	40,000	100%	-	Property leasing
Changsha Kaifu Wanda Plaza Investment Co., Ltd.	长沙开福万达广场投资有限公司	PRC/Mainland China 19 April 2010	3,060,000	100%	-	Property leasing
Langfang Wanda Plaza Investment Co., Ltd.	廊坊万达广场投资有限公司	PRC/Mainland China 11 May 2010	90,000	100%	-	Property leasing
Quanzhou Puxi Wanda Plaza Investment Co., Ltd.	泉州浦西万达广场投资有限公司	PRC/Mainland China 25 May 2010	311,300	100%	-	Property leasing
Changzhou Xinbei Wanda Plaza Investment Co., Ltd.	常州新北万达广场投资有限公司	PRC/Mainland China 28 May 2010	100,000	100%	-	Property leasing
Chongqing Wanzhou Wanda Commercial Plaza Co., Ltd.	重庆万州万达商业广场有限公司	PRC/Mainland China 28 June 2010	200,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanghai Baoshan Wanda Investment Co., Ltd.	上海宝山万达投资有限公司	PRC/Mainland China 23 July 2010	100,000	65%	-	Property leasing
Langfang Wanda Xueyuan Investment Co., Ltd.	廊坊万达学苑投资有限公司	PRC/Mainland China 13 August 2010	50,000	100%	-	Consultancy
Hefei Tian'e'hu Wanda Plaza Investment Co., Ltd.	合肥天鹅湖万达广场投资有限公司	PRC/Mainland China 17 September 2010	50,000	100%	-	Property leasing
Nanchang Honggutan Wanda Plaza Investment Co., Ltd.	南昌红谷滩万达广场投资有限公司	PRC/Mainland China 9 October 2010	90,000	100%	-	Property leasing
Lanzhou Wanda Plaza Investment Co., Ltd.	兰州万达广场投资有限公司	PRC/Mainland China 15 October 2010	100,000	100%	-	Property leasing
Jinjiang Wanda Plaza Co., Ltd.	晋江万达广场有限公司	PRC/Mainland China 26 October 2010	50,000	100%	-	Property leasing
Zhengzhou Erqi Wanda Plaza Co., Ltd.	郑州二七万达广场有限公司	PRC/Mainland China 15 November 2010	100,000	100%	-	Property leasing
Ningde Wanda Plaza Co., Ltd.	宁德万达广场有限公司	PRC/Mainland China 23 November 2010	50,000	100%	-	Property leasing
Jiangyin Wanda Plaza Investment Co., Ltd.	江阴万达广场投资有限公司	PRC/Mainland China 26 November 2010	50,000	100%	-	Property leasing
Zhangzhou Wanda Plaza Co., Ltd.	漳州万达广场有限公司	PRC/Mainland China 30 November 2010	100,000	100%	-	Property leasing
Qingdao Licang Wanda Plaza Investment Co., Ltd.	青岛李沧万达广场投资有限公司	PRC/Mainland China 17 December 2010	100,000	100%	-	Property leasing
Fushun Wanda Plaza Co., Ltd.	抚顺万达广场有限公司	PRC/Mainland China 23 December 2010	100,000	100%	-	Property leasing
Changchun Kuancheng Wanda Plaza Co., Ltd.	长春宽城万达广场有限公司	PRC/Mainland China 4 January 2011	100,000	100%	-	Property leasing
Mianyang Fucheng Wanda Plaza Co., Ltd.	绵阳涪城万达广场有限公司	PRC/Mainland China 4 January 2011	50,000	100%	-	Property leasing
Wenzhou Longwan Wanda Plaza Investment Co., Ltd.	温州龙湾万达广场投资有限公司	PRC/Mainland China 5 January 2011	100,000	100%	-	Property leasing
Harbin Haxi Wanda Plaza Co., Ltd.	哈尔滨哈西万达广场有限公司	PRC/Mainland China 19 January 2011	50,000	100%	-	Property leasing
Wuhu Wanda Plaza Co., Ltd.	芜湖万达广场有限公司	PRC/Mainland China 21 January 2011	100,000	100%	-	Property leasing
Taicang Wanda Plaza Investment Co., Ltd.	太仓万达广场投资有限公司	PRC/Mainland China 23 February 2011	100,000	100%	-	Property leasing
Yixing Wanda Plaza Co., Ltd.	宜兴万达广场有限公司	PRC/Mainland China 7 March 2011	50,000	100%	-	Property leasing
Guangzhou Wannuo Investment Management Co., Ltd.	广州市万诺投资管理有限公司	PRC/Mainland China 13 May 2011	8,000	70%	-	Property leasing
Wuxi Huishan Wanda Plaza Co., Ltd.	无锡惠山万达广场有限公司	PRC/Mainland China 16 May 2011	50,000	100%	-	Property leasing
Putian Wanda Plaza Co., Ltd.	莆田万达广场有限公司	PRC/Mainland China 17 May 2011	100,000	100%	-	Property leasing
Tianjin Hedong Wanda Commercial Operation Management Co., Ltd.	天津河东万达商业运营管理有限公司	PRC/Mainland China 19 May 2011	50,000	100%	-	Property leasing
Dongguan Chang'an Wanda Plaza Co., Ltd.	东莞长安万达广场有限公司	PRC/Mainland China 25 May 2011	100,000	100%	-	Property leasing
Xiamen Jimei Wanda Plaza Co., Ltd.	厦门集美万达广场有限公司	PRC/Mainland China 19 July 2011	200,000	100%	-	Property leasing
Jining Taibailu Wanda Plaza Co., Ltd.	济宁太白路万达广场有限公司	PRC/Mainland China 2 August 2011	100,000	100%	-	Property leasing
Shenyang Aoti Wanda Plaza Co., Ltd.	沈阳奥体万达广场有限公司	PRC/Mainland China 8 September 2011	300,000	100%	-	Property leasing
Yuyao Wanda Plaza Investment Co., Ltd.	余姚万达广场投资有限公司	PRC/Mainland China 29 September 2011	250,000	100%	-	Property leasing
Xuzhou Wanda Plaza Co., Ltd.	徐州万达广场有限公司	PRC/Mainland China 20 October 2011	50,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Bengbu Wanda Plaza Co., Ltd.	蚌埠万达广场有限公司	PRC/Mainland China 24 October 2011	50,000	100%	-	Property leasing
Yantai Zhifu Wanda Plaza Co., Ltd.	烟台芝罘万达广场有限公司	PRC/Mainland China 15 November 2011	50,000	100%	-	Property leasing
Xi'an Daminggong Wanda Plaza Co., Ltd.	西安大明宫万达广场有限公司	PRC/Mainland China 30 November 2011	50,000	100%	-	Property leasing
Chifeng Wanda Plaza Co., Ltd.	赤峰万达广场有限公司	PRC/Mainland China 16 December 2011	50,000	100%	-	Property leasing
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	上海松江万达广场投资有限公司	PRC/Mainland China 22 December 2011	50,000	100%	-	Property leasing
Nanjing Jiangning Wanda Plaza Co., Ltd.	南京江宁万达广场有限公司	PRC/Mainland China 29 December 2011	400,000	100%	-	Property leasing
Dandong Wanda Plaza Co., Ltd.	丹东万达广场有限公司	PRC/Mainland China 9 February 2012	100,000	100%	-	Property leasing
Weifang Wanda Plaza Co., Ltd.	潍坊万达广场有限公司	PRC/Mainland China 10 February 2012	400,000	100%	-	Property leasing
Guangzhou Zengcheng Wanda Plaza Co., Ltd.	广州增城万达广场有限公司	PRC/Mainland China 12 March 2012	250,000	100%	-	Property leasing
Dongguan Dongcheng Wanda Plaza Investment Co., Ltd.	东莞东城万达广场投资有限公司	PRC/Mainland China 9 May 2012	500,000	100%	-	Property leasing
Foshan Nanhai Wanda Plaza Co., Ltd.	佛山南海万达广场有限公司	PRC/Mainland China 24 May 2012	600,000	100%	-	Property leasing
Manzhouli Wanda Plaza Co., Ltd.	满洲里万达广场有限公司	PRC/Mainland China 30 May 2012	150,000	100%	-	Property leasing
Yinchuan Wanda Plaza Commercial Development Co., Ltd.	银川万达广场商业发展有限公司	PRC/Mainland China 19 June 2012	100,000	100%	-	Property leasing
Yinchuan Xixia Wanda Plaza Co., Ltd.	银川西夏万达广场有限公司	PRC/Mainland China 20 June 2012	500,000	100%	-	Property leasing
Jinhua Wanda Plaza Investment Co., Ltd.	金华万达广场投资有限公司	PRC/Mainland China 17 August 2012	790,000	100%	-	Property leasing
Nanning Qingxiu Wanda Plaza Investment Co., Ltd.	南宁青秀万达广场投资有限公司	PRC/Mainland China 14 September 2012	50,000	100%	-	Property leasing
Ma'anshan Wanda Plaza Investment Co., Ltd.	马鞍山万达广场投资有限公司	PRC/Mainland China 19 September 2012	50,000	100%	-	Property leasing
Changzhou Wujin Wanda Plaza Investment Co., Ltd.	常州武进万达广场投资有限公司	PRC/Mainland China 21 September 2012	50,000	100%	-	Property leasing
Shanghai Wanda Hotel Investment Co., Ltd.	上海万达酒店投资有限公司	PRC/Mainland China 9 October 2012	50,000	100%	-	Hotel operation
Longyan Wanda Plaza Investment Co., Ltd.	龙岩万达广场投资有限公司	PRC/Mainland China 2 November 2012	50,000	100%	-	Property leasing
Wanda Hotel Design and Research Institute Co., Ltd.	万达酒店设计研究院有限公司	PRC/Mainland China 9 November 2012	50,000	100%	-	Decoration and research design management
Tianjin Pilot Free Trade Zone Wanda Property Co., Ltd.	天津自贸区万达置业有限公司	PRC/Mainland China 28 November 2012	200,000	85%	-	Property leasing
Yingkou Wanda Plaza Investment Co., Ltd.	营口万达广场投资有限公司	PRC/Mainland China 3 December 2012	45,000	100%	-	Property leasing
Qiqihar Wanda Plaza Investment Co., Ltd.	齐齐哈尔万达广场投资有限公司	PRC/Mainland China 6 December 2012	50,000	100%	-	Property leasing
Fuqing Wanda Plaza Co., Ltd.	福清万达广场有限公司	PRC/Mainland China 18 December 2012	400,000	100%	-	Property leasing
Jingzhou Wanda Plaza Development Co., Ltd.	荆州万达广场发展有限公司	PRC/Mainland China 21 December 2012	600,000	100%	-	Property leasing
Jiangmen Wanda Plaza Investment Co., Ltd.	江门万达广场投资有限公司	PRC/Mainland China 22 January 2013	50,000	100%	-	Property leasing
Wenzhou Pingyang Wanda Plaza Investment Co., Ltd.	温州平阳万达广场投资有限公司	PRC/Mainland China 1 March 2013	600,000	100%	-	Property leasing
Anyang Wanda Plaza Investment Co., Ltd.	安阳万达广场投资有限公司	PRC/Mainland China 4 March 2013	50,000	100%	-	Property leasing
Hangzhou Gongshu Wanda Investment Co., Ltd.	杭州拱墅万达投资有限公司	PRC/Mainland China 22 March 2013	800,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanghai Jinshan Wanda Plaza Investment Co., Ltd.	上海金山万达广场投资有限公司	PRC/Mainland China 2 April 2013	50,000	100%	-	Property leasing
Zhengzhou Jinshui Wanda Investment Co., Ltd.	郑州金水万达投资有限公司	PRC/Mainland China 18 April 2013	60,010	100%	-	Property management
Jixi Wanda Plaza Investment Co., Ltd.	鸡西万达广场投资有限公司	PRC/Mainland China 24 April 2013	50,000	100%	-	Property leasing
Guangyuan Wanda Plaza Investment Co., Ltd.	广元万达广场投资有限公司	PRC/Mainland China 2 May 2013	500,000	100%	-	Property leasing
Weinan Wanda Plaza Investment Co., Ltd.	渭南万达广场投资有限公司	PRC/Mainland China 29 May 2013	300,000	100%	-	Property leasing
Dongying Wanda Commercial Management Co., Ltd.	东营市万达商业管理有限公司	PRC/Mainland China 3 June 2013	50,000	100%	-	Property leasing
Jiaxing Wanda Plaza Investment Co., Ltd.	嘉兴万达广场投资有限公司	PRC/Mainland China 3 June 2013	800,000	100%	-	Property leasing
Xining Wanda Plaza Investment Co., Ltd.	西宁万达广场投资有限公司	PRC/Mainland China 17 June 2013	50,000	100%	-	Property leasing
Tai'an Wanda Plaza Investment Co., Ltd.	泰安万达广场投资有限公司	PRC/Mainland China 19 June 2013	40,000	100%	-	Property leasing
Dezhou Wanda Plaza Investment Co., Ltd.	德州万达广场投资有限公司	PRC/Mainland China 20 June 2013	50,000	100%	-	Property leasing
Neijiang Wanda Plaza Investment Co., Ltd.	内江万达广场投资有限公司	PRC/Mainland China 1 July 2013	50,000	100%	-	Property leasing
Huangshi Wanda Plaza Investment Co., Ltd.	黄石万达广场投资有限公司	PRC/Mainland China 2 July 2013	100,000	100%	-	Property leasing
Guangzhou Luogang Wanda Plaza Co., Ltd.	广州萝岗万达广场有限公司	PRC/Mainland China 25 July 2013	800,000	100%	-	Property leasing
Siping Wanda Plaza Investment Co., Ltd.	四平万达广场投资有限公司	PRC/Mainland China 6 August 2013	50,000	100%	-	Property leasing
Zhanjiang Development Zone Wanda Plaza Investment Co., Ltd.	湛江开发区万达广场投资有限公司	PRC/Mainland China 2 September 2013	800,000	100%	-	Property leasing
Chongqing Banan Wanda Industrial Co., Ltd.	重庆巴南万达实业有限公司	PRC/Mainland China 3 September 2013	700,000	100%	-	Property leasing
Dongguan Houjie Wanda Plaza Investment Co., Ltd.	东莞厚街万达广场投资有限公司	PRC/Mainland China 5 September 2013	50,000	100%	-	Property leasing
Fuyang Wanda Plaza Investment Co., Ltd.	阜阳万达广场投资有限公司	PRC/Mainland China 9 September 2013	50,000	100%	-	Property leasing
Liuzhou Wanda Plaza Investment Co., Ltd.	柳州万达广场投资有限公司	PRC/Mainland China 23 September 2013	800,000	100%	-	Property leasing
Zhangzhou Taiwanese Investment Zone Wanda Plaza Investment Co., Ltd.	漳州台商投资区万达广场投资有限公司	PRC/Mainland China 18 October 2013	50,000	100%	-	Property leasing
Suzhou Wuzhong Wanda Plaza Investment Co., Ltd.	苏州吴中万达广场投资有限公司	PRC/Mainland China 27 November 2013	100,000	100%	-	Property development and leasing
Urumqi Wanda Plaza Investment Co., Ltd.	乌鲁木齐万达广场投资有限公司	PRC/Mainland China 3 December 2013	50,000	100%	-	Property leasing
Bozhou Wanda Plaza Investment Co., Ltd.	亳州万达广场投资有限公司	PRC/Mainland China 16 December 2013	500,000	100%	-	Property leasing
Taizhou Jingkai Wanda Property Co., Ltd.	台州经开万达置业有限公司	PRC/Mainland China 16 December 2013	700,000	100%	-	Property leasing
Nanning Anji Wanda Plaza Investment Co., Ltd.	南宁安吉万达广场投资有限公司	PRC/Mainland China 17 December 2013	50,000	100%	-	Property leasing
Chengdu Wanda Hotel Investment Co., Ltd.	成都万达酒店投资有限公司	PRC/Mainland China 23 December 2013	50,000	100%	-	Hotel operation
Nantong Wanda Plaza Co., Ltd.	南通万达广场有限公司	PRC/Mainland China 23 December 2013	700,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Jingmen Wanda Plaza Investment Co., Ltd.	荆门万达广场投资有限公司	PRC/Mainland China 2 January 2014	400,000	100%	-	Property leasing
Guangzhou Nansha Wanda Plaza Co., Ltd.	广州南沙万达广场有限公司	PRC/Mainland China 22 January 2014	900,000	100%	-	Property leasing
Yiwu Wanda Plaza Investment Co., Ltd.	义乌万达广场投资有限公司	PRC/Mainland China 23 January 2014	100,000	100%	-	Property leasing
Jinan Gaoxin Wanda Plaza Property Co., Ltd.	济南高新万达广场置业有限公司	PRC/Mainland China 14 March 2014	50,000	100%	-	Property development and leasing
Shangrao Wanda Plaza Investment Co., Ltd.	上饶万达广场投资有限公司	PRC/Mainland China 14 March 2014	50,000	100%	-	Property leasing
Mudanjiang Wanda Plaza Investment Co., Ltd.	牡丹江万达广场投资有限公司	PRC/Mainland China 17 March 2014	50,000	100%	-	Property leasing
Suzhou Wanda Plaza Investment Co., Ltd.	宿州万达广场投资有限公司	PRC/Mainland China 21 March 2014	500,000	100%	-	Property leasing
Dongguan Humen Wanda Plaza Investment Co., Ltd.	东莞虎门万达广场投资有限公司	PRC/Mainland China 15 May 2014	50,000	100%	-	Property leasing
Hohhot Wanda Plaza Property Co., Ltd.	呼和浩特万达广场置业有限公司	PRC/Mainland China 15 May 2014	50,000	100%	-	Property leasing
Yanji Wanda Plaza Investment Co., Ltd.	延吉万达广场投资有限公司	PRC/Mainland China 29 May 2014	400,000	100%	-	Property leasing
Xuzhou Wanda Plaza Property Co., Ltd.	徐州万达广场置业有限公司	PRC/Mainland China 11 June 2014	50,000	100%	-	Property leasing
Suining Wanda Plaza Investment Co., Ltd.	遂宁万达广场投资有限公司	PRC/Mainland China 13 June 2014	300,000	100%	-	Property leasing
Hefei Yaohai Wanda Plaza Investment Co., Ltd.	合肥瑶海万达广场投资有限公司	PRC/Mainland China 25 June 2014	100,000	100%	-	Property leasing
Kunshan Wanda Plaza Investment Co., Ltd.	昆山万达广场投资有限公司	PRC/Mainland China 3 July 2014	100,000	100%	-	Property leasing
Changshu Wanda Commercial Plaza Co., Ltd.	常熟万达商业广场有限公司	PRC/Mainland China 7 July 2014	100,000	100%	-	Property leasing
Zhuji Wanda Plaza Investment Co., Ltd.	诸暨万达广场投资有限公司	PRC/Mainland China 13 August 2014	100,000	100%	-	Property leasing
Shanghai Qingpu Wanda Mall Investment Co., Ltd.	上海青浦万达茂投资有限公司	PRC/Mainland China 23 September 2014	100,000	100%	-	Property leasing
Nanjing Wanda Mall Investment Co., Ltd.	南京万达茂投资有限公司	PRC/Mainland China 24 December 2014	1,000,000	100%	-	Property leasing
Changchun Wanda Center Investment Co., Ltd.	长春万达中心投资有限公司	PRC/Mainland China 19 January 2015	50,000	100%	-	Hotel operation
Nanping Wanda Plaza Investment Co., Ltd.	南平万达广场投资有限公司	PRC/Mainland China 4 February 2015	100,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Chengdu Qingyang Wanda Plaza Investment Co., Ltd.	成都青羊万达广场投资有限公司	PRC/Mainland China 5 February 2015	500,000	100%	-	Property leasing
Beijing Fengke Wanda Plaza Co., Ltd.	北京丰科万达广场有限公司	PRC/Mainland China 9 March 2015	1,000,000	100%	-	Property leasing
Sanmenxia Wanda Plaza Investment Co., Ltd.	三门峡万达广场投资有限公司	PRC/Mainland China 12 March 2015	330,000	100%	-	Property leasing
Wanda (Shanghai) Equity Investment Fund Management Co., Ltd.	万达(上海)股权投资基金管理有限公司	PRC/Mainland China 18 March 2015	10,000	100%	-	Investment management
Zhengzhou Biyuan Wanda Plaza Investment Co., Ltd.	郑州碧源万达广场投资有限公司	PRC/Mainland China 19 March 2015	395,000	100%	-	Property leasing
Yichun Wanda Plaza Investment Co., Ltd.	宜春万达广场投资有限公司	PRC/Mainland China 23 March 2015	182,010	100%	-	Property leasing
Sanming Wanda Plaza Investment Co., Ltd.	三明万达广场投资有限公司	PRC/Mainland China 8 April 2015	230,010	100%	-	Property leasing
Dalian Wanda Commercial Co., Ltd.	大连万达商业有限公司	PRC/Mainland China 14 April 2015	10,000	100%	-	Property leasing
Deyang Wanda Plaza Industrial Co., Ltd.	德阳万达广场实业有限公司	PRC/Mainland China 17 April 2015	185,000	100%	-	Property leasing
Foshan Sanshui Wanda Property Co., Ltd.	佛山三水万达置业有限公司	PRC/Mainland China 22 April 2015	295,011	100%	-	Property leasing
Chongqing Yongchuan District Wanda Plaza Business Services Co., Ltd.	重庆市永川区万达广场商务服务有限公司	PRC/Mainland China 23 April 2015	203,000	100%	-	Property leasing
Meizhou Wanda Real Estate Co., Ltd.	梅州万达地产有限公司	PRC/Mainland China 27 April 2015	277,010	100%	-	Property leasing
Changde Wanda Property Co., Ltd.	常德万达置业有限公司	PRC/Mainland China 28 April 2015	226,000	100%	-	Property leasing
Lianyungang Wanda Plaza Investment Co., Ltd.	连云港万达广场投资有限公司	PRC/Mainland China 4 May 2015	255,000	100%	-	Property leasing
Leshan Wanda Plaza Industrial Co., Ltd.	乐山万达广场实业有限公司	PRC/Mainland China 5 May 2015	188,010	100%	-	Property leasing
Nanning Jiangnan Wanda Plaza Investment Co., Ltd.	南宁江南万达广场投资有限公司	PRC/Mainland China 20 May 2015	100,000	100%	-	Property leasing
Yingkou Bayuquan Wanda Plaza Investment Co., Ltd.	营口鲅鱼圈万达广场投资有限公司	PRC/Mainland China 27 May 2015	196,000	100%	-	Property leasing
Shaoxing Shangyu Wanda Plaza Business Services Co., Ltd.	绍兴上虞万达广场商务服务有限公司	PRC/Mainland China 2 June 2015	100,000	100%	-	Property leasing
Chengdu Shuangliu Wanda Plaza Investment Co., Ltd.	成都双流万达广场投资有限公司	PRC/Mainland China 3 June 2015	269,020	100%	-	Property leasing
Yantai Wanda Plaza Investment Co., Ltd.	烟台万达广场投资有限公司	PRC/Mainland China 3 June 2015	233,000	100%	-	Property leasing
Fuyang Yingquan Wanda Plaza Investment Co., Ltd.	阜阳颍泉万达广场投资有限公司	PRC/Mainland China 4 June 2015	240,000	100%	-	Property leasing
Lu'an Wanda Plaza Commercial Development Co., Ltd.	六安万达广场商业发展有限公司	PRC/Mainland China 12 June 2015	10,000	100%	-	Property leasing
Lu'an Wanda Business Management Co., Ltd.	六安万达企业管理有限公司	PRC/Mainland China 12 June 2015	50,000	100%	-	Property Management
Binzhou Wanda Plaza Investment Co., Ltd.	滨州万达广场投资有限公司	PRC/Mainland China 23 June 2015	210,000	100%	-	Property leasing
Huzhou Wanda Investment Co., Ltd.	湖州万达投资有限公司	PRC/Mainland China 25 June 2015	250,001	100%	-	Property leasing
Haikou Wanda Plaza Investment Co., Ltd.	海口万达广场投资有限公司	PRC/Mainland China 29 June 2015	265,000	100%	-	Property leasing
Chaoyang Wanda Plaza Investment Co., Ltd.	朝阳万达广场投资有限公司	PRC/Mainland China 10 July 2015	10,000	100%	-	Property leasing
Qingyuan Qingcheng Wanda Plaza Co., Ltd.	清远清城万达广场有限公司	PRC/Mainland China 31 July 2015	10,000	100%	-	Property leasing
Jilin Changyi Wanda Plaza Investment Co., Ltd.	吉林昌邑万达广场投资有限公司	PRC/Mainland China 21 August 2015	173,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Tongling Wanda Plaza Investment Co., Ltd.	铜陵万达广场投资有限公司	PRC/Mainland China 27 August 2015	10,000	100%	-	Property leasing
Yangzhou Wanda Commercial Plaza Co., Ltd.	扬州万达商业广场有限公司	PRC/Mainland China 27 August 2015	50,000	100%	-	Property leasing
Dalian Pulandian Wanda Plaza Investment Co., Ltd.	大连普兰店万达广场投资有限公司	PRC/Mainland China 12 October 2015	10,000	100%	-	Property leasing
Dalian Zhuanghe Wanda Plaza Investment Co., Ltd.	大连庄河万达广场投资有限公司	PRC/Mainland China 16 November 2015	10,000	100%	-	Property leasing
Jinzhou Wanda Plaza Investment Co., Ltd.	锦州万达广场投资有限公司	PRC/Mainland China 20 November 2015	10,000	100%	-	Property leasing
Chongqing Qijiang Wanda Industrial Co., Ltd.	重庆綦江万达实业有限公司	PRC/Mainland China 25 November 2015	10,000	100%	-	Property leasing
Dongying Wanda Commercial Operation Management Co., Ltd.	东营万达商业运营管理有限公司	PRC/Mainland China 26 November 2015	31,000	100%	-	Property leasing
Baotou Jiuyuan Wanda Plaza Investment Co., Ltd.	包头九原万达广场投资有限公司	PRC/Mainland China 30 November 2015	10,000	100%	-	Property leasing
Chongqing Beibei Wanda Industrial Co., Ltd.	重庆北碚万达实业有限公司	PRC/Mainland China 24 December 2015	10,000	100%	-	Property leasing
Guiyang Wanda Investment Co., Ltd.	贵阳万达投资有限公司	PRC/Mainland China 11 January 2016	10,000	100%	-	Property leasing
Jinzhong Wanda Business Services Co., Ltd.	晋中万达商务服务有限公司	PRC/Mainland China 14 January 2016	10,000	100%	-	Property leasing
Foshan Jinshazhou Wanda Plaza Investment Co., Ltd.	佛山金沙洲万达广场投资有限公司	PRC/Mainland China 15 January 2016	10,000	100%	-	Property leasing
Qujing Wanda Plaza Investment Co., Ltd.	曲靖万达广场投资有限公司	PRC/Mainland China 19 January 2016	10,000	100%	-	Property leasing
Huizhou Dayawan Wanda Plaza Investment Co., Ltd.	惠州大亚湾万达广场投资有限公司	PRC/Mainland China 25 January 2016	10,000	100%	-	Property leasing
Jiuquan Wanda Plaza Investment Co., Ltd.	酒泉万达广场投资有限公司	PRC/Mainland China 1 February 2016	10,000	100%	-	Property leasing
Shanghai Zhuanqiao Wanda Plaza Investment Co., Ltd.	上海颛桥万达广场投资有限公司	PRC/Mainland China 2 February 2016	10,000	100%	-	Property leasing
Shouguang Wanda Plaza Investment Co., Ltd.	寿光万达广场投资有限公司	PRC/Mainland China 22 February 2016	10,000	100%	-	Property leasing
Hengyang Wanda Plaza Property Co., Ltd.	衡阳万达广场置业有限公司	PRC/Mainland China 25 February 2016	10,000	100%	-	Property leasing
Changzhou Liyang Wanda Plaza Investment Co., Ltd.	常州溧阳万达广场投资有限公司	PRC/Mainland China 9 March 2016	10,000	100%	-	Property leasing
Liupanshui Wanda Plaza Investment Co., Ltd.	六盘水万达广场投资有限公司	PRC/Mainland China 11 March 2016	10,000	100%	-	Property leasing
Fuxin Wanda Plaza Investment Co., Ltd.	阜新万达广场投资有限公司	PRC/Mainland China 14 March 2016	10,000	100%	-	Property leasing
Xuancheng Wanda Plaza Investment Co., Ltd.	宣城万达广场投资有限公司	PRC/Mainland China 15 March 2016	10,000	100%	-	Property leasing
Hebi Wanda Industrial Co., Ltd.	鹤壁万达实业有限公司	PRC/Mainland China 28 March 2016	10,000	100%	-	Property leasing
Shizuishan Wanda Plaza Investment Co., Ltd.	石嘴山万达广场投资有限公司	PRC/Mainland China 1 April 2016	10,000	100%	-	Property leasing
Shangqiu Wanda Plaza Investment Co., Ltd.	商丘万达广场投资有限公司	PRC/Mainland China 26 May 2016	10,000	100%	-	Property leasing
Hangzhou Yuhang Wanda Plaza Property Co., Ltd.	杭州余杭万达广场置业有限公司	PRC/Mainland China 8 June 2016	10,000	100%	-	Property leasing
Huanggang Wanda Plaza Property Co., Ltd.	黄冈万达广场置业有限公司	PRC/Mainland China 22 June 2016	100,000	100%	-	Property leasing
Huaibei Wanda Plaza Investment Co., Ltd.	淮北万达广场投资有限公司	PRC/Mainland China 21 September 2016	10,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Luzhou Wanda Plaza Property Co., Ltd.	泸州万达广场置业有限公司	PRC/Mainland China 28 October 2016	10,000	100%	-	Property leasing
Chongqing Dadukou Wanda Industrial Co., Ltd.	重庆大渡口万达实业有限公司	PRC/Mainland China 22 November 2016	96,000	100%	-	Property leasing
Guangzhou Xintang Wanda Plaza Investment Co., Ltd.	广州新塘万达广场投资有限公司	PRC/Mainland China 7 December 2016	100,000	100%	-	Property management
Meishan Wanda Plaza Property Co., Ltd.	眉山万达广场置业有限公司	PRC/Mainland China 12 December 2016	10,000	100%	-	Property leasing
Chongqing Shapingba Wanda Industrial Co., Ltd.	重庆沙坪坝万达实业有限公司	PRC/Mainland China 23 December 2016	10,000	100%	-	Property leasing
Jiangmen Wanda Commercial Co., Ltd.	江门万达商业有限公司	PRC/Mainland China 5 January 2017	10,000	100%	-	Property leasing
Xuchang Wanda Plaza Industrial Co., Ltd.	许昌万达广场实业有限公司	PRC/Mainland China 16 January 2017	10,000	100%	-	Property leasing
Chaohu Wanda Plaza Investment Co., Ltd.	巢湖万达广场投资有限公司	PRC/Mainland China 6 March 2017	10,000	100%	-	Property leasing
Yulin Wanda Plaza Investment Co., Ltd.	玉林万达广场投资有限公司	PRC/Mainland China 7 March 2017	10,000	100%	-	Property leasing
Xingtai Wanda Plaza Construction and Development Co., Ltd.	邢台万达广场建设发展有限公司	PRC/Mainland China 15 March 2017	10,000	100%	-	Property leasing
Urumqi Wanda Plaza Real Estate and Property Co., Ltd.	乌鲁木齐万达广场房地产置业有限公司	PRC/Mainland China 17 March 2017	20,000	100%	-	Property leasing
Wuwei Wanda Plaza Property Co., Ltd.	武威万达广场置业有限公司	PRC/Mainland China 20 March 2017	10,000	100%	-	Property leasing
Yuncheng Wanda Commercial Complex Management Co., Ltd.	运城万达商业综合体管理有限公司	PRC/Mainland China 22 March 2017	10,000	100%	-	Property leasing
Suqian Wanda Plaza Investment Co., Ltd.	宿迁万达广场投资有限公司	PRC/Mainland China 28 March 2017	10,000	100%	-	Property leasing
Chengdu Longquanyi Wanda Plaza Property Co., Ltd.	成都龙泉驿万达广场置业有限公司	PRC/Mainland China 1 April 2017	10,000	100%	-	Property leasing
Nanchang Qingshanhu Wanda Plaza Property Co., Ltd.	南昌青山湖万达广场置业有限公司	PRC/Mainland China 27 April 2017	50,000	100%	-	Property leasing
Yibin Wanda Plaza Business Services Co., Ltd.	宜宾万达广场商业服务有限公司	PRC/Mainland China 16 May 2017	10,000	100%	-	Property leasing
Yulin Wanda Plaza Property Co., Ltd.	榆林万达广场置业有限公司	PRC/Mainland China 5 June 2017	10,000	100%	-	Property leasing
Guigang Wanda Plaza Commercial Co., Ltd.	贵港万达广场商业有限公司	PRC/Mainland China 10 July 2017	10,000	100%	-	Property leasing
Shangluo Wanda Plaza Property Co., Ltd.	商洛万达广场置业有限公司	PRC/Mainland China 3 August 2017	10,000	100%	-	Property leasing
Zhangzhou Wanfu Hotel Management Co., Ltd.	漳州万富酒店管理有限公司	PRC/Mainland China 14 September 2017	10,000	100%	-	Hotel operation
Shantou Wanda Plaza Investment Co., Ltd.	汕头万达广场投资有限公司	PRC/Mainland China 10 October 2017	300,000	100%	-	Property leasing
Panzhihua Wanda Plaza Property Co., Ltd.	攀枝花万达广场置业有限公司	PRC/Mainland China 10 November 2017	10,000	100%	-	Property leasing
Anshan Wanda Plaza Property Co., Ltd.	鞍山万达广场置业有限公司	PRC/Mainland China 13 December 2017	10,000	100%	-	Property leasing
Chongqing Fuling Wanda Industrial Co., Ltd.	重庆涪陵万达实业有限公司	PRC/Mainland China 18 December 2017	10,000	100%	-	Property leasing
Chuzhou Wanda Plaza Investment Co., Ltd.	滁州万达广场投资有限公司	PRC/Mainland China 2 January 2018	10,000	100%	-	Property leasing
Shanghai Puxing Wanda Plaza Commercial Management Co., Ltd.	上海浦星万达广场商业管理有限公司	PRC/Mainland China 23 April 2018	50,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shenyang Quanyun Wanda Plaza Property Co., Ltd.	沈阳全运万达广场置业有限公司	PRC/Mainland China 23 July 2018	10,000	100%	-	Property leasing
Wuhan Dongsha Wanda Commercial Management Co., Ltd.	武汉东沙万达商业管理有限公司	PRC/Mainland China 12 September 2018	10,000	100%	-	Property leasing
Changchun Qikai Wanda Industrial Co., Ltd.	长春汽开万达实业有限公司	PRC/Mainland China 18 September 2018	40,000	100%	-	Property leasing
Ziyang Wanda Industrial Co., Ltd.	资阳万达实业有限公司	PRC/Mainland China 20 September 2018	100,000	100%	-	Property leasing
Taiyuan Wanda Commercial Co., Ltd.	太原万达商业有限公司	PRC/Mainland China 27 September 2018	90,000	100%	-	Property leasing
Guilin Wangui Property Co., Ltd.	桂林万桂置业有限公司	PRC/Mainland China 29 September 2018	50,000	100%	-	Property leasing
Dalian Jingkai Wanda Business Management Co., Ltd.	大连经开万达企业管理有限公司	PRC/Mainland China 10 October 2018	100,000	100%	-	Property leasing
Hefei Beicheng Wanda Plaza Investment Co., Ltd.	合肥北城万达广场投资有限公司	PRC/Mainland China 25 October 2018	10,000	100%	-	Property leasing
Haian Wanda Real Estate Property Co., Ltd.	海安万达地产置业有限公司	PRC/Mainland China 5 November 2018	50,000	100%	-	Property leasing
Xiangtan Wanda Commercial Management Co., Ltd.	湘潭万达商业管理有限公司	PRC/Mainland China 6 November 2018	40,000	100%	-	Property leasing
Chengdu Pidu Wanda Plaza Management Co., Ltd.	成都郫都万达广场管理有限公司	PRC/Mainland China 14 November 2018	100,000	100%	-	Property leasing
Nanjing Lishui Wanda Commercial Co., Ltd.	南京溧水万达商业有限公司	PRC/Mainland China 3 December 2018	50,000	100%	-	Property leasing
Beijing Jingyan Wanda Commercial Management Co., Ltd.	北京京延万达商业管理有限公司	PRC/Mainland China 4 December 2018	370,000	100%	-	Property leasing
Mianyang Jingkai Wanda Industrial Co., Ltd.	绵阳经开万达实业有限公司	PRC/Mainland China 2 January 2019	100,000	100%	-	Property leasing
Yangzhou Western New District Wanda Commercial Plaza Co., Ltd.	扬州西区新城万达商业广场有限公司	PRC/Mainland China 17 January 2019	10,000	100%	-	Property leasing
Wuxi Xinwu Wanda Plaza Co., Ltd.	无锡新吴万达广场有限公司	PRC/Mainland China 28 January 2019	50,000	100%	-	Property leasing
Jiamusi Wanda Industrial Co., Ltd.	佳木斯万达实业有限公司	PRC/Mainland China 1 February 2019	100,000	100%	-	Property leasing
Tongliao Wanda Industrial Co., Ltd.	通辽万达实业有限公司	PRC/Mainland China 18 February 2019	50,000	100%	-	Property leasing
Anxi Wanda Industrial Co., Ltd.	安溪万达实业有限公司	PRC/Mainland China 21 February 2019	100,000	100%	-	Property leasing
Nanning Wanda Commercial Co., Ltd.	南宁万达商业有限公司	PRC/Mainland China 12 March 2019	900,000	100%	-	Property leasing
Tianjin Wuqing District Wanda Commercial Co., Ltd.	天津武清区万达商业有限公司	PRC/Mainland China 15 March 2019	10,000	100%	-	Property leasing
Harbin Hanan Wanda Commercial Co., Ltd.	哈尔滨哈南万达商业有限公司	PRC/Mainland China 18 March 2019	10,000	100%	-	Property development
Shanghai Maqiao Wanda Commercial Management Co., Ltd.	上海马桥万达商业管理有限公司	PRC/Mainland China 18 March 2019	430,000	100%	-	Property leasing
Zhoukou Wanda Commercial Co., Ltd.	周口万达商业有限公司	PRC/Mainland China 27 March 2019	10,000	100%	-	Property leasing
Wuhai Wanda. Industrial Co., Ltd.	乌海万达实业有限公司	PRC/Mainland China 9 April 2019	100,000	100%	-	Property leasing
Ulanqab Wanda Real Estate Development Co., Ltd.	乌兰察布万达地产发展有限公司	PRC/Mainland China 28 May 2019	50,000	100%	-	Property leasing
Kunming Wanda. Industrial Co., Ltd.	昆明万达实业有限公司	PRC/Mainland China 12 June 2019	40,000	100%	-	Property leasing
Bengbu Huaishang District Wanda Commercial Management Operation Co., Ltd.	蚌埠市淮上区万达商业管理运营有限公司	PRC/Mainland China 26 June 2019	10,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Tianjin Dongli District Wanda Business Services Co., Ltd.	天津东丽区万达商务服务有限公司	PRC/Mainland China 16 July 2019	10,000	100%	-	Property development
Tianshui Wanda Business Services Co., Ltd.	天水万达商业服务有限公司	PRC/Mainland China 22 July 2019	10,000	100%	-	Property development
Ankang Wanda Commercial Co., Ltd.	安康万达商业有限公司	PRC/Mainland China 9 August 2019	10,000	100%	-	Property leasing
Bozhou Qiaocheng District Wanda Plaza Co., Ltd.	亳州市谯城区万达广场有限公司	PRC/Mainland China 22 August 2019	10,000	100%	-	Property leasing
Taishan Wanda Commercial Investment Co., Ltd.	台山万达商业投资有限公司	PRC/Mainland China 29 August 2019	10,000	100%	-	Property leasing
Weihai Wanda Commercial Co., Ltd.	威海万达商业有限公司	PRC/Mainland China 6 September 2019	10,000	100%	-	Property leasing
Chengdu Qingbaijiang Wanda Plaza Management Co., Ltd.	成都青白江万达广场管理有限公司	PRC/Mainland China 10 October 2019	100,000	100%	-	Property leasing
Zigong Wangong Business Services Co., Ltd.	自贡万贡商业服务有限公司	PRC/Mainland China 28 October 2019	10,000	100%	-	Property leasing
Wuzhou Gaowang Wanda Plaza Investment Co., Ltd.	梧州高旺万达广场投资有限公司	PRC/Mainland China 2 December 2019	10,000	100%	-	Property development
Renshou Wanda Plaza Management Co., Ltd.	仁寿万达广场管理有限公司	PRC/Mainland China 3 January 2020	10,000	100%	-	Property development
Tianjin Jizhou Wanda Plaza Commercial Co., Ltd.	天津市蓟州区万达广场商业有限公司	PRC/Mainland China 6 January 2020	10,000	100%	-	Property development
Shenyang Qixing Wanda Real Estate Development Co., Ltd.	沈阳七星万达地产开发有限公司	PRC/Mainland China 8 January 2020	10,000	100%	-	Property development
Hangzhou Fuyang Wanda Commercial Management Co., Ltd.	杭州富阳万达商业管理有限公司	PRC/Mainland China 8 January 2020	10,000	100%	-	Property development
Hengyang Wanda Plaza Industrial Co., Ltd.	衡阳万达广场实业有限公司	PRC/Mainland China 20 February 2020	10,000	100%	-	Property development
Heyuan Wanda Plaza Co., Ltd.	河源万达广场有限公司	PRC/Mainland China 16 March 2020	10,000	100%	-	Property development
Yichang Jingkai Wanda Plaza Development Co., Ltd.	宜昌经开万达广场发展有限公司	PRC/Mainland China 2 April 2020	10,000	100%	-	Property leasing
Xining Wanda Commercial Management Operation Co., Ltd.	西宁万达商业管理运营有限公司	PRC/Mainland China 19 May 2020	10,000	100%	-	Property development
Horgos Lanxin Wanda Plaza Co., Ltd.	霍尔果斯兰新万达广场有限公司	PRC/Mainland China 20 May 2020	10,000	100%	-	Property development
Zhaoqing Dinghu Wanda Commercial Co., Ltd.	肇庆鼎湖万达商业有限公司	PRC/Mainland China 5 June 2020	10,000	100%	-	Property development
Chongqing Jiangjin Wanda Plaza Industrial Co., Ltd.	重庆市江津区万达广场实业有限公司	PRC/Mainland China 27 July 2020	68,190	100%	-	Property development
Jiangmen Jianghai Wanda Commercial Investment Co., Ltd.	江门江海万达商业投资有限公司	PRC/Mainland China 11 August 2020	10,000	100%	-	Property development
Wuhan Xinzhou Wanda Commercial Co., Ltd.	武汉新洲万达商业有限公司	PRC/Mainland China 4 September 2020	10,000	100%	-	Property development
Qingdao Jimo Wanda Commercial Co., Ltd.	青岛即墨万达商业有限公司	PRC/Mainland China 27 October 2020	10,000	100%	-	Property development
Wanda Hotel Development Company Limited	万达酒店发展有限公司	Bermuda 2 November 2000	-**	-	65%	Investment holding
Sunseeker International (Holdings) Limited*		The United Kingdom 23 August 2006	GBP100,000	-	94%	Investment management
Wanda Commercial Properties (Hong Kong) Co., Ltd.	万达商业地产(香港)有限公司	Hong Kong 6 February 2013	-**	100%	-	Hotel management service
Wanda Yacht Investment (Jersey) Company Limited	万达游艇投资控股(泽西岛)有限公司	The United Kingdom 23 May 2013	-**	100%	-	Investment management

* Certain of the Group's interests in these entities have been pledged as collateral for bank borrowings (note 30).
** The share capital of these subsidiaries is presented as zero rounded to the nearest thousand.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;
b) rights arising from other contractual arrangements; and
c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

For the business combination under common control, the financial information of the Group and the acquired businesses have been combined, as if the Group acquired such businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of the acquired business at the time of common control combination is deducted into the reserves of the Group.

Pursuant to agreements entered into between the Company and its related party, Wanda Real Estate Group Co., Ltd. ("Wanda Real Estate") and its subsidiary in 2019 and 2020, the Company has agreed to acquire the entire equity interests of Taishan Wanda Commercial Investment Co., Ltd. ("Taishan Wanda"), Hengyang Wanda Plaza Industrial Co., Ltd. ("Hengyang Wanda"), Renshou Wanda Plaza Management Co., Ltd. ("Renshou Wanda"), Wuzhou Gaowang Wanda Plaza Investment Co., Ltd. ("Wuzhou Gaowang"), Hangzhou Fuyang Wanda Commercial Management Co., Ltd. ("Hangzhou Fuyang"), Heyuan Wanda Plaza Co., Ltd.("Heyuan Wanda"), Yichang Jingkai Wanda Plaza Development Co., Ltd. ("Yichang Jingkai"), Shenyang Qixing Wanda Real Estate Development Co., Ltd. ("Shenyang Qixing"), Chongqing Jiangjin Wanda Plaza Industrial Co., Ltd. ("Chongqing Jiangjin"), Zhaoqing Dinghu Wanda Commercial Co., Ltd. ("Zhaoqing Dinghu"), Xining Wanda Commercial Management Operation Co., Ltd. ("Xining Wanda"), Jiangmen Jianghai Wanda Commercial Investment Co., Ltd. ("Jiangmen Jianghai"), Wuhan Xinzhou Wanda Commercial Co., Ltd. ("Wuhan Xinzhou") and Qingdao Jimo Wanda Commercial Co., Ltd. ("Qingdao Jimo") at total considerations of RMB202 million. In addition, the Company has agreed to repay shareholder loans, amounting to RMB1,802 million, to Wanda Real Estate on behalf of the above-mentioned 14 subsidiaries. All the above-mentioned business combination was completed as of 31 December 2020.

The 14 subsidiaries of Wanda Real Estate are all under the common control of the Parent before and after the date of acquisition, and that control is not transitory, hence the acquisition has been accounted for as combination of entities under common control. Taishan Wanda and Wuzhou Gaowang were established in 2019 and the rest of these companies were established in 2020. Accordingly, the assets and liabilities of Taishan Wanda and Wuzhou Gaowang have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the acquisition of Taishan Wanda and Wuzhou Gaowang have been restated to include the assets and liabilities of Taishan Wanda and Wuzhou Gaowang as if the business acquired had always been part of the Group.

The financial positions previously reported by the Group at 31 December 2019 have been restated to include the assets and liabilities of Taishan Wanda and Wuzhou Gaowang as set out below:

31 December 2019

	The Group (as previously reported) RMB'million	Taishan Wanda and Wuzhou Gaowang RMB'million	The Group (Restated) RMB'million
Non-current assets	449,335	-	449,335
Current assets	130,413	4	130,417
Current liabilities	104,139	4	104,143
Non-current liabilities	198,296	-	198,296
Equity	277,313	-	277,313

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted *the Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to IFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i)the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's investment properties have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB30 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to IAS 1, International Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
[6] As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or I(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or I(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 IFRS 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 are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on the Interbank Offered Rate and the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or receivedby either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures was included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets measured at fair value through other comprehensive income and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, deferred tax assets, assets of disposal groups classified as held for sale and non-current assets), the asset's recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The main property, plant and equipment's estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Buildings	35-40 years	5%
Machinery	10 years	5%
Motor vehicles	5 years	5%
Electronic equipment	5 years	5%
Others	5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents construction work in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing cost on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties
Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Investment properties comprise completed investment properties and investment properties under construction. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Other intangible assets (other than goodwill)
Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with finite useful lives are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Other intangible assets acquired in a business combination comprise brands, designs, orders and business relationship, which are amortised on the straight-line basis over their estimated useful lives of 1 to 20 years.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains,a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Group as a lessee (continued)
(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	17 to 40 years
Buildings	2 to 20 years
Others	2 to 24 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Group as a lessee (continued)
(c) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office，motor vehicles, equipments and green plants (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and potted plants that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Investments and other financial assets</u>(continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition,the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, dividend payables and bonds and notes.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities(continued)
Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing bank and other borrowings and bonds and notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories other than properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions
A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax
Income tax comprises current tax and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets against and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Property management fee

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

(b) Hotel management services

Hotel management services mainly include the following:

The day-to-day management services, and the different kinds of management service fees are generally calculated as certain percentages of the total revenues, room revenue or operation profit of those hotels under management. Such management service fees are due and payable on a monthly basis as services are provided and revenue is recognised over time as services are rendered.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
Revenue from contracts with customers (continued)

Central reservation system usage fees, other system maintenance and other support fees are typically billed and collected monthly along with the base management service fees mentioned above, and revenue is generally recognised as services are provided.

Pre-opening services, which include providing services (e.g., installing IT information systems, providing standardisation hotel management system and central reservation system, providing access to purchase platform, helping to obtain operational qualification, and helping to recruit and train employees) to the hotel owners to assist in preparing for the hotel opening. These fees are typically collected upfront and are recognised as revenue over the whole management contract period.

(c) Hotel design and construction management services
Revenue is recognised in the accounting period in which the services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Hotel operation income
Revenue from room sales and other ancillary guest services is recognised over time on a daily basis, and revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to customers.

(e) Loyalty program management service fee
Revenue from the loyalty program management service fee is generated from the services provided in relation to the loyalty program. The program reward members with points for each stay at the hotels or certain other consumption at the hotels, which are then redeemable for free hotel nights and other goods and services. The Group defers the cash amount received from participating hotels as the future redemption obligation, and such points that will eventually be redeemed as revenue when they are used or on the expiry date.

Revenue from other sources
Rental income derived from the lease of the Group’s properties is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants restricted shares to certain employees of the Group and of its parent company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group and of its parent company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants after 10 July 2014 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professional appraiser using a price-to-book ratio model, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss or to the deemed distribution to the parent company for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for each of the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements
In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is classified as a property held for sale or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the properties are accounted for as properties under development included in current assets if the properties are intended for sale after completion of construction, whereas the properties are accounted for as investment properties under construction or development included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Fair value of investment properties

The investment properties of the Group are measured at fair value. The fair value 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 similar properties in the same locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interest to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties at 31 December 2020 was RMB454,786 million (2019: RMB432,119 million). Further details, including the key assumptions used for fair value measurement, are stated in note 15 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB287 million (2019: RMB287 million). Further details are given in note 17 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

PRC corporate income tax ("CIT")

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to the CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the CIT provision to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the CIT expense and CIT provision in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 20 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 44 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2020 was RMB518 million (2019: RMB987 million). Further details are included in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2019, all the completed properties held for sale were sold and the Company has decided to withdraw from the business segment of development and sale of properties, therefore, the segment of development and sale of properties was classified as discontinued operation.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) development, leasing and management of commercial properties held by the Group for long-term investment;

(b) development, operation and management of hotels; and

(c) the "others" segment mainly comprises management of properties sold, research and design centres, and institutes and other services.

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 a measure of 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 are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2020

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Segment revenue (note 5)				
Sales to external customers	35,764	1,082	1,893	38,739
Revenue				38,739
Cost of Sales	(11,109)	(702)	(1,642)	(13,453)
Other income and gains	1,022	10	2,816	3,848
Increase in fair value of investment properties, net	6,386	-	-	6,386
Selling and distribution expenses	(1,866)	(73)	(121)	(2,060)
Administrative expenses	(3,755)	(227)	(282)	(4,264)
Finance costs(interest on lease liabilities)	(552)	-	(14)	(566)
Other expenses	(246)	(22)	(510)	(778)
Share of losses of joint ventures	-	-	(54)	(54)
Segment results	**25,644**	**68**	**2,086**	**27,798**
Reconciliation:				
Finance costs (other than interest on lease liabilities)				(9,592)
Profit before tax from continuing operations				18,206

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Share of losses of joint ventures	-	-	54	54
Impairment losses recognised in the statement of profit or loss, net	246	22	316	584
Depreciation and amortisation	193	148	326	667
Investments in joint ventures	-	-	2,040	2,040
Capital expenditure*	12,740	50	66	12,856

* Capital expenditure consists of additions to property, plant and equipment, investment properties, and other intangible assets.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Segment revenue (note 5)				
Sales to external customers	34,929	1,475	3,365	39,769
Revenue				39,769
Cost of Sales	(11,028)	(840)	(2,841)	(14,709)
Other income and gains	618	21	3,193	3,832
Increase in fair value of investment properties, net	12,024	-	-	12,024
Selling and distribution expenses	(961)	(91)	(143)	(1,195)
Administrative expenses	(3,022)	(298)	(638)	(3,958)
Finance costs(interest on lease liabilities)	(339)	-	(15)	(354)
Other expenses	(5)	(319)	(296)	(620)
Share of losses of joint ventures	-	-	(184)	(184)
Segment results	**32,216**	**(52)**	**2,441**	**34,605**
Reconciliation:				
Finance costs (other than interest on lease liabilities)				(9,663)
Profit before tax from continuing operations				24,942

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Share of losses of joint ventures	-	-	184	184
Impairment losses recognised in the statement of profit or loss, net	5	167	296	468
Depreciation and amortisation	222	200	320	742
Investments in joint ventures	-	-	2,094	2,094
Capital expenditure*	9,201	492	102	9,795

* Capital expenditure consists of additions to property, plant and equipment, investment properties, and other intangible assets.

Geographical information

Over 97% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year (2019: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'million	2019 RMB'million
Revenue from contracts with customers	14,169	15,799
Revenue from other sources		
Gross rental income from investment property operating leases	24,570	23,970
	38,739	39,769

Revenue from contracts with customers and other sources

(a) Disaggregated revenue information

For the year ended 31 December 2020

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Types of goods or services				
Investment property management	11,194	-	-	11,194
Hotel operation	-	1,082	-	1,082
Sale of yachts	-	-	1,304	1,304
Others	-	-	589	589
Total revenue from contracts with customers	11,194	1,082	1,893	14,169
Geographical markets				
Mainland China	11,194	1,082	589	12,865
Overseas	-	-	1,304	1,304
Total revenue from contracts with customers	11,194	1,082	1,893	14,169
Timing of revenue recognition				
Goods transferred at a point in time	-	308	1,130	1,438
Services transferred over time	11,194	774	763	12,731
Total revenue from contracts with customers	11,194	1,082	1,893	14,169

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Types of goods or services				
Investment property management	10,959	-	-	10,959
Hotel operation	-	1,475	-	1,475
Sale of yachts	-	-	2,692	2,692
Others	-	-	673	673
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Geographical markets				
Mainland China	10,942	1,475	673	13,090
Overseas	17	-	2,692	2,709
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Timing of revenue recognition				
Goods transferred at a point in time	-	472	2,161	2,633
Services transferred over time	10,959	1,003	1,204	13,166
Total revenue from contracts with customers	10,959	1,475	3,365	15,799

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2020

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Revenue from contracts with customers				
External customers	11,194	1,082	1,893	14,169
Total revenue from contracts with customers	11,194	1,082	1,893	14,169
Revenue from other sources				
External customers	24,570	-	-	24,570
Total revenue from other sources	24,570	-	-	24,570
Total revenue	35,764	1,082	1,893	38,739

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Revenue from contracts with customers				
External customers	10,959	1,475	3,365	15,799
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Revenue from other sources				
External customers	23,970	-	-	23,970
Total revenue from other sources	23,970	-	-	23,970
Total revenue	34,929	1,475	3,365	39,769

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:

	2020 RMB'million	2019 RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of yachts	260	396
Rendering of services	2,458	1,594
	2,718	1,990

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(b) Performance obligations

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

Investment property management
The performance obligation is satisfied over time as services are rendered and short-term advances are generally required before rendering the services. The contracts are for periods of one year or less, or are billed based on the time incurred.

Hotel management services, hotel design and hotel 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.

Sale of yachts
The revenue of the yachts in excess of 115 feet in size is generated over time. The performance obligation is satisfied over time as progressing in the construction of the yachts and payment is also based on the construction progress of the yachts. The yachts are generally provided maintenance and warranty periods at the time of sale in order to ensure the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The revenue of the yachts smaller than 115 feet in size is generated at a point in time. The performance obligation is satisfied upon delivery of the yachts and payment is generally due within 30 to 60 days before delivery, where payment in advance is generally required.

The consideration received from customers in advance allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020 RMB'million	2019 RMB'million
Within one year	2,786	2,597
After one year	137	121
	2,923	2,718

5. REVENUE, OTHER INCOME AND GAINS (continued)

	2020 RMB'million	2019 RMB'million
Other income		
Bank interest income	416	260
Government grants	327	143
Others	187	92
	930	495
Gains		
Foreign exchange gain, net	93	76
Gain on entrusted loan	213	1,261
Gain on financial products	1,957	1,590
Gain on disposal of items of property, plant and equipment	15	-
Gain on disposal of a subsidiary	12	-
Others	628	410
	2,918	3,337
	3,848	3,832

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2020 RMB'million	2019 RMB'million
Other expenses		
Loss on disposal of subsidiaries	-	152
Impairment/(reversal) of inventories	20	(9)
Impairment of trade receivables	63	25
Impairment of other receivables	233	19
Impairment of goodwill	-	268
Impairment of assets of disposal groups classified as held for sale	-	165
Impairment of long-term receivables	267	-
Impairment of contract assets	1	-
Expenditure for donation	26	-
Others	168	-
	778	620

7. PROFIT BEFORE TAX

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

	Notes	2020 RMB'million	2019 RMB'million
Cost of inventories sold		1,246	2,418
Cost of services provided		12,207	12,291
Government grants released*	5	(327)	(143)
Depreciation of property, plant and equipment		383	445
Depreciation of right-of-use assets	16(a)	110	133
Gain on disposal of items of property, plant and equipment	5	(15)	-
Amortisation of other intangible assets		174	169
Impairment/ (reversal) of inventories	6	20	(9)
Impairment of trade receivables	6	63	25
Impairment of other receivables	6	233	19
Impairment of long-term receivables	6	267	-
Impairment of goodwill	6	-	268
Impairment of assets of disposal groups classified as held for sale	6	-	165
Lease payments not included in the measurement of lease liabilities	16(c)	1,397	739
Auditors' remuneration		10	10
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
Wages, salaries and bonuses		6,256	6,384
Pension scheme contributions		140	529
Social welfare and other costs		1,004	921
Share-based payments		(75)	38
		7,325	7,872
Increase in fair value of investment properties, net	15	(6,386)	(12,024)
Foreign exchange gain	5	(93)	(76)
Direct operating expenses relating to investment property leasing and management	4	11,109	11,028
(Gain)/Loss on disposal of subsidiaries	5&6	(12)	152

* There are no unfulfilled conditions or contingencies relating to these grants.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2020 RMB'million	2019 RMB'million
Interest on bank loans, other loans and bonds and notes	9,709	9,858
Interest on lease liabilities	566	354
Total interest expense	10,275	10,212
Less: Interest capitalised	(117)	(195)
	10,158	10,017

9. INCOME TAX

The provision for Mainland China CIT has been provided at the applicable tax rate of 25% (2019:25%) on the assessable profits of the Company and its subsidiaries in Mainland China. Taxes on profits assessable in Hong Kong have been calculated at the rates of 16.5% (2019:16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2020 RMB'million	2019 RMB'million
Current - Mainland China CIT		
Charge for the year	1,573	2,108
Underprovision/(overprovision) in prior years	54	(106)
Current - Elsewhere CIT	-	7
Deferred	3,357	4,386
Total tax charge for the year from continuing operations	4,984	6,395
Total tax charge for the year from discontinued operations	(138)	6,062
	4,846	12,457

9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2020 RMB'million	%	2019 RMB'million	%
Profit before tax from continuing operations	18,206		24,942	
Profit before tax from discontinued operations	669		12,635	
	18,875		37,577	
CIT at the statutory tax rate	4,719	25.0	9,394	25.0
Effect of different tax levies enacted by local authorities*	116	0.6	279	0.7
Adjustments in respect of current tax of previous years	54	0.3	(160)	(0.4)
Profits and losses attributable to joint ventures	(14)	(0.1)	46	0.1
Income not subject for tax	(87)	(0.5)	(847)	(2.3)
Expenses not deductible for tax	100	0.5	299	0.8
Tax losses and deductible temporary differences utilised from previous years	(806)	(4.3)	(1,035)	(2.8)
Deductible temporary differences not recognised	202	1.1	431	1.1
Tax losses not recognised	666	3.5	1,203	3.2
LAT	(138)	(0.7)	3,796	10.1
CIT effect of LAT	34	0.2	(949)	(2.5)
Tax charge at the effective rate	4,846	25.6	12,457	33.0
Tax charge from continuing operations at the effective rate	4,984		6,395	
Tax charge from discontinued operations at the effective rate	(138)		6,062	

* The amount includes the effect of lower tax rates for specific provinces and higher tax levies under assessment and collection mode of certain subsidiaries enacted by local authorities.

The share of tax attributable to joint ventures amounting to RMB(3) million (2019: RMB(65) million) is included in “Share of profits and losses of joint ventures” in the consolidated statement of profit or loss.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In 2017, the Company entered into strategic agreements with Guangzhou R&F Properties Co. Ltd. to dispose 100% interests in 73 subsidiaries engaged in hotel operation. The equity interests transfer of Changchun Wanfu Hotel Management Co., Ltd. ("Changchun Wanda") was completed in November 2020. The equity interests transfer of Zhangzhou Wanfu Hotel Management Co., Ltd. ("Zhangzhou Wanfu") was in process and expected to be completed in 2021. As a result, Zhangzhou Wanfu engaged in hotel operation was classified as disposal group held for sale as at 31 December 2020.

(a) Assets and liabilities of Zhangzhou Wanfu and Changchun Wanda classified as held for sale

	2020 RMB'million	2019 RMB'million
Assets		
Property, plant and equipment	281	827
Right-of-use assets	32	193
Other intangible assets	1	1
Losses recognised on the remeasurement to fair value	(135)	(414)
Assets of a disposal group classified as held for sale	179	607
Liabilities		
Liabilities directly associated with the assets classified as held for sale	-	-
Net assets directly associated with the disposal group	179	607

11. DISCONTINUED OPERATIONS

(i) During 2019, the management of Wanda Hotel Development Company Limited ("Wanda Hotel"), a subsidiary of the Group, has been in active discussions with the potential buyers for the disposal of Wanda Hotel's interest in Parcel C LLC ("Parcel C"), a subsidiary of Wanda Hotel which holds a property under construction in Chicago, USA. The Group will have no geographical business segment in USA once the disposal is completed. On 24 July 2020, Wanda Chicago Real Estate, LLC, a subsidiary of Wanda Hotel, entered into an agreement with Magellan Parcel C/D LLC on the disposal of its entire 90% of equity interests of the Parcel C, at a consideration of USD270 million and repayment of the shareholder loan in the amount of USD245 million. The disposal was completed in November 2020.

The results of Parcel C for the period before completion of disposal are presented below:

	2020 RMB'million	2019 RMB'million
Other income and gains	5	5
Selling and distribution expenses	(15)	(25)
Administrative expenses	(6)	-
Gain on disposal of a subsidiary	130	-
Gain/(loss) before tax from the discontinued operation	114	(20)
Income tax expense	-	-
Gain/(loss) for the year from the discontinued operation	114	(20)

11. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of Parcel C classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'million
Assets	
Property, plant and equipment	777
Right-of-use assets	1
Permanent land	142
Inventories	3,475
Contract incremental cost	52
Restricted cash	3
Cash and cash equivalents	25
Assets of a disposal group classified as held for sale	4,475
Liabilities	
Trade and bills payables	(434)
Interest-bearing bank and other borrowings	(873)
Liabilities of a disposal group classified as held for sale	(1,307)
Net assets directly associated with the disposal group	3,168

11. DISCONTINUED OPERATIONS (continued)

(ii) The Company decided to complete the divestment of the sale of properties business and no longer engage in any form of the sale of properties business. By the end of 2019, all of the sale of properties business have been disposed except for the equity interests transfer of Xi'an Gaoxin Wanda Plaza Co., Ltd. ("Xi'an Gaoxin") which was completed in February 2020. As a result, the sale of properties business was classified as a disposal group held for sale and as a discontinued operation.

The results of the sale of properties business for the year are presented below:

	2020 RMB'million	2019 RMB'million
Revenue	(67)	39,955
Cost of sales	36	(25,992)
Gross (loss)/profit	(31)	13,963
Other income and gains	205	1,010
Selling and distribution expenses	(2)	(1,930)
Administrative expenses	(3)	(2,112)
Other expenses	-	(2,650)
Finance costs	-	(826)
Gain on disposal of subsidiaries	386	5,200
Profit before tax from the discontinued operation	555	12,655
Income tax credit/(expense)	138	(6,062)
Profit for the year from the discontinued operation	693	6,593

11. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of Xi'an Gaoxin classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'million
Assets	
Property, plant and equipment	2
Right-of-use assets	4
Goodwill	488
Deferred tax assets	103
Contract incremental costs	5
Inventories	2,194
Trade and bills receivables	1
Prepayments, other receivabls and other assets	1,236
Prepaid tax	110
Cash and cash equivalents	3,511
Assets classified as held for sale	7,654
Liabilities	
Trade and bills payables	(322)
Other payables and accruals	(4,116)
Interest-bearing bank and other borrowings	(3)
Taxes payable	(321)
Deferred tax liabilities	(161)
Liabilities directly associated with the assets classified as held for sale	(4,923)
Net assets directly associated with Xi'an Gaoxin	2,731

11. DISCONTINUED OPERATIONS (continued)

(iii) Profit attributable to ordinary equity holders of the Parcel C and the sale of properties business

	2020 RMB	2019 RMB
Earnings per share:		
Basic, from discontinued operations	0.17	1.35

The calculations of basic earnings per share from the discontinued operations are based on:

	2020 RMB'million	2019 RMB'million
Profit attributable to ordinary equity holders of the parent from the discontinued operation	782	6,136

	Number of shares 2020 million	 2019 million
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	4,527	4,527

12. DIVIDENDS

	2020 RMB'million	2019 RMB'million
Interim – RMB1.05 (2019: RMB1.05) per ordinary share	4,754	4,754

As at the date of this report, the board of directors did not recommend the payment of the final dividend in respect of 31 December 2020 (2019: Nil).

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 4,527,347,600 (2019: 4,527,347,600) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

	2020 RMB'million	2019 RMB'million
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	12,939	18,287
From discontinued operations	782	6,136
	13,721	24,423

	Number of shares 2020 Million	 2019 Million
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,527	4,527

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'million	Machinery RMB'million	Electronic equipment RMB'million	Motor vehicles RMB'million	Others RMB'million	Construction in progress RMB'million	Total RMB'million
31 December 2020							
At 1 January 2020:							
Cost or valuation	7,541	618	575	411	221	239	9,605
Accumulated depreciation and impairment	(1,558)	(303)	(404)	(292)	(135)	-	(2,692)
Net carrying amount	5,983	315	171	119	86	239	6,913
At 1 January 2020, net of accumulated depreciation and impairment	5,983	315	171	119	86	239	6,913
Additions	95	69	51	21	34	28	298
Disposals	(34)	(1)	(8)	(4)	(7)	-	(54)
Disposal of a subsidiary (note 38)	-	-	-	-	-	(6)	(6)
Depreciation provided during the year	(235)	(44)	(48)	(27)	(29)	-	(383)
Transfers from inventories	9	-	-	-	-	-	9
Exchange realignment	-	(6)	(1)	-	-	-	(7)
At 31 December 2020, net of accumulated depreciation and impairment	5,818	333	165	109	84	261	6,770
At 31 December 2020:							
Cost or valuation	7,559	663	594	410	241	261	9,728
Accumulated depreciation and impairment	(1,741)	(330)	(429)	(301)	(157)	-	(2,958)
Net carrying amount	5,818	333	165	109	84	261	6,770

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'million	Machinery RMB'million	Electronic equipment RMB'million	Motor vehicles RMB'million	Others RMB'million	Construction in progress RMB'million	Total RMB'million
31 December 2019							
At 1 January 2019:							
Cost or valuation	10,705	997	692	472	304	1,336	14,506
Accumulated depreciation and impairment	(3,621)	(792)	(502)	(336)	(207)	(21)	(5,479)
Net carrying amount	7,084	205	190	136	97	1,315	9,027
At 1 January 2019, net of accumulated depreciation and impairment	7,084	205	190	136	97	1,315	9,027
Additions	113	174	55	28	45	272	687
Disposals	(20)	(5)	(16)	(6)	(18)	-	(65)
Disposal of subsidiaries	(730)	(19)	(3)	(2)	(6)	(468)	(1,228)
Depreciation provided during the year	(326)	(49)	(57)	(36)	(32)	-	(500)
Impairment provided during the year	(27)	-	-	-	-	-	(27)
Attributable to held for sale (note 11)	(5)	-	-	(1)	-	(773)	(779)
Transfers to inventory	(89)	-	-	-	-	-	(89)
Transfers to investment properties (note 15)	(139)	-	-	-	-	-	(139)
Transfers upon completion	107	-	-	-	-	(107)	-
Transfers from inventories	11	-	-	-	-	-	11
Exchange realignment	4	9	2	-	-	-	15
At 31 December 2019, net of accumulated depreciation and impairment	5,983	315	171	119	86	239	6,913
At 31 December 2019:							
Cost or valuation	7,541	618	575	411	221	239	9,605
Accumulated depreciation and impairment	(1,558)	(303)	(404)	(292)	(135)	-	(2,692)
Net carrying amount	5,983	315	171	119	86	239	6,913

15. INVESTMENT PROPERTIES

	Completed investment properties RMB'million	Investment properties under construction or development RMB'million	Total RMB'million
At 1 January 2019	403,513	7,268	410,781
Additions	-	8,881	8,881
Additions of right-of-use assets	1,319	-	1,319
Disposal of subsidiaries	(1,818)	-	(1,818)
Transfer from property, plant and equipment (note 14)	139	-	139
Transfer from inventories	793	-	793
Transfer upon completion	10,308	(10,308)	-
Net gain from fair value adjustment	11,919	105	12,024
At 1 January 2020	426,173	5,946	432,119
Additions	4,825	11,456	16,281
Transfer upon completion	12,164	(12,164)	-
Net gain from fair value adjustment	6,302	84	6,386
At 31 December 2020	449,464	5,322	454,786

At 31 December 2020, the net carrying amount of the Group's right-of-use assets included in investment property was RMB14,613 million (2019: RMB9,864 million).

15. INVESTMENT PROPERTIES (continued)

The Group's completed investment properties are rented out under operating leases.

All the completed investment properties and investment properties under construction or development, including both land and building elements held by the Group were revalued at the end of the year based on valuations performed by the independent professional appraiser, Cushman & Wakefield Shenzhen Valuation Co., Ltd., an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the similar 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 similar locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees and capitalised borrowing costs to be incurred from the valuation date to completion as well as a reasonable margin. There were no changes to the valuation techniques during the year.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

The Group's certain investment properties were pledged to secure bank borrowings granted to the Group (note 30).

As at the date of approval of these financial statements, the Group is in the process of applying for the relevant property certificates for certain investment properties. As at 31 December 2020, the carrying amount of the Group's certain investment properties for which the title certification have not been obtained was RMB13,443 million (2019: RMB8,116 million). In the Directors' opinion, the Group is entitled to lawfully and validly occupy and use these investment properties.

At the end of the year, all of the Group's investment properties were within Level 3 of the fair value hierarchy as the valuation was arrived at by reference to certain significant unobservable inputs. There were no transfers between Levels 1, 2 and 3 during the year (2019: Nil).

The Group involves a team that reviews the valuations performed by the independent professional appraiser for financial reporting purposes. This team reports directly to senior management. Discussions of valuation processes and results are held between senior management, the valuation team and the independent professional appraiser twice a year, in line with the Group's interim and annual reporting dates.

At the end of the year, the Group:

• verified all major inputs to the independent valuation reports;
• assessed property valuation movements when comparing to the prior year valuation reports; and
• held discussion with the independent professional appraiser

15. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties held as at 31 December 2020:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2020	2019
Shopping mall	Investment approach	Prevailing market rents	RMB27 – RMB1,089 per square metre per month	RMB25 – RMB1,081 per square metre per month
		Reversionary capitalisation rate	Anchor Stores:4.5% – 6.5% Standard Retail:5.0% – 7.5%	Anchor Stores:4.5% – 6.5% Standard Retail:5.0% – 7.5%
Office	Investment approach	Prevailing market rents	RMB39 – RMB467 per square metre per month	RMB39 – RMB490 per square metre per month
		Reversionary capitalisation rate	6.0% – 7.5%	6.0% – 7.5%
Office	Market approach	Prevailing market rents	RMB6,456- RMB10,800 per square metre per month	RMB6,456- RMB10,800 per square metre per month
Carpark	Investment approach	Prevailing market rents	RMB45 – RMB2,100 per lot per month	RMB45 – RMB2,100 per lot per month
		Reversionary capitalisation rate	4.0% – 7.0%	4.0% – 7.0%
Other	Investment approach	Prevailing market rents	RMB6 – RMB551 per lot per month	RMB6 – RMB532 per lot per month
		Reversionary capitalisation rate	4.5% – 7.0%	4.5% – 7.0%
Other	Market approach	Prevailing market rents	RMB8,986- RMB31, 682 per square metre	RMB8,986- RMB31, 682 per square metre

Prevailing market rents are estimated based on the independent professional appraiser's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value is. Reversionary yield is estimated by the independent professional appraiser based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of investment properties, buildings, internet cables, motor vehicles and others used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of investment properties generally have lease terms between 20 and 40 years, buildings generally have lease terms between 2 and 20 years, internet cables generally have lease terms between 2 and 24 years and motor vehicles generally have lease terms between 1 and 2 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(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:

	Leasehold land RMB'million	Buildings RMB'million	Others RMB'million	Total RMB'million	Investment* properties RMB'million
As at 1 January 2019	1,547	298	31	1,876	8,560
Additions	12	298	4	314	1,319
Disposals	(46)	-	-	(46)	-
Disposal of subsidiaries	(323)	(2)	-	(325)	-
Depreciation charge	(67)	(59)	(7)	(133)	-
Impaiment of right-of-use assets	(257)	-	-	(257)	-
Attributable to held for sale (note 11)	-	(5)	-	(5)	-
Decrease in fair value	-	-	-	-	(15)
Exchange realignment	-	11	1	12	-
As at 31 December 2019 and 1 January 2020	866	541	29	1,436	9,864
Additions	-	111	10	121	4,826
Depreciation charge	(29)	(70)	(11)	(110)	-
Termination of the leases	-	(11)	-	(11)	-
Exchange realignment	-	(6)	(1)	(7)	-
Increase in fair value	-	-	-	-	(77)
Disposal of a subsidiary (note 38)	(39)	-	-	(39)	-
At 31 December 2020	798	565	27	1,390	14,613

* Represented balance of right-of-use assets included in investment properties.

16. LEASES (continued)

(b) Lease liabilities

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

	2020 RMB'million	2019 RMB'million
Carrying amount at 1 January	8,501	7,399
New leases	3,687	1,302
Disposal of subsidiaries	-	(2)
Accretion of interest recognised during the year	566	354
Attributable to held for sale	-	(4)
Exchange realignment	(7)	14
Payments	(556)	(562)
Covid-19-related rent concessions from lessors	(30)	-
Termination of the leases	(11)	-
Carrying amount at 31 December	12,150	8,501
Analysed into:		
Current portion	174	188
Non-current portion	11,976	8,313

The maturity analysis of lease liabilities is disclosed in note 45 to the financial statements.

As disclosed in note 2.2. to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain investment properties during the year.

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

	2020 RMB'million	2019 RMB'million
Interest on lease liabilities	566	354
Depreciation charge of right-of-use assets	110	133
Decrease in fair value of investment properties, net	(77)	(15)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	75	27
Expense relating to leases of low-value assets (included in administrative expenses)	1	1
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	1,321	711
Covid-19-related rent concessions from lessors	(30)	-
Total amount recognised in profit or loss	1,966	1,211

16. LEASES (continued)

(d) Variable lease payments

The Group has lease contracts for investment properties that contains variable payments based on operating income. Management's objective is to align the lease expense with the investment properties and revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2020	Fixed payments RMB'million	Variable payments RMB'million	Total RMB'million
Fixed rent	205	-	205
Variable rent with minimum payment	271	68	339
Variable rent only	-	1,060	1,060
	476	1,128	1,604

2019	Fixed payments RMB'million	Variable payments RMB'million	Total RMB'million
Fixed rent	145	-	145
Variable rent with minimum payment	319	129	448
Variable rent only	-	578	578
	464	707	1,171

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 39(c) and 41(b), respectively, to the financial statements.

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 15) 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 RMB24,570 million (2019: RMB23,970 million), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'million	2019 RMB'million
Within one year	28,672	24,925
After one year but within two years	21,562	21,511
After two years but within three years	14,772	14,201
After three years but within four years	10,491	9,525
After four years but within five years	8,768	6,820
After five years	40,666	33,347
	124,931	110,329

17. GOODWILL

	RMB'million
Cost and net carrying amount at 1 January 2019	1,338
Cost at 1 January 2019, net of accumulated impairment	1,338
Impairment provided for the year	(563)
Classified as held for sale (note 11)	(488)
Cost and net carrying amount at 31 December 2019	287
At 31 December 2019:	
Cost	2,941
Accumulated impairment	(2,166)
Classified as held for sale	(488)
Net carrying amount	287
Cost at 1 January 2020, net of accumulated impairment	1,745
Impairment provided for the year	(1,458)
Cost and net carrying amount at 31 December 2020	287
At 31 December 2020:	
Cost	1,745
Accumulated impairment	(1,458)
Net carrying amount	287

17. GOODWILL (continued)

Impairment testing of goodwill

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	2020 RMB'million	2019 RMB'million
Wanda Hotel Development Company Limited ("Wanda Hotel")	287	287

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rates – The basis used to determine the value assigned to the revenue growth rates is the average growth rate achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are after tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on the asset groups or sets of asset groups are consistent with the past experience and external information sources of the Group.

The recoverable amount of Wanda Hotel has been determined based on a value in use calculation using discounted cash flow projections based on Wanda Hotel's five-year financial budgets approved by Wanda Hotel's management. The discount rate applied to the cash flow projections is 10.97% (2019: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2019: 3%). Wanda Hotel's senior management believes that this growth rate is justified, given the unique infrastructure and characteristic services developed by Wanda Hotel.

18. OTHER INTANGIBLE ASSETS

	2020 RMB'million	2019 RMB'million
Cost at beginning of year	1,817	1,914
Additions	22	45
Disposals	-	(2)
Disposal of subsidiaries	-	(41)
Amortisation provided during the year	(174)	(176)
Exchange realignment	(34)	77
At end of year	1,631	1,817
Cost	2,726	2,767
Accumulated amortisation	(1,095)	(950)
Net carrying amount	1,631	1,817

19. INVESTMENTS IN JOINT VENTURES

	2020 RMB' million	2019 RMB' million
Share of net assets	2,040	2,094

Particulars of the Group's material joint venture are as follow:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Shanghai Bingsheng Technology Co., Ltd.	Registered Capital of RMB1 each	PRC/ Mainland China	51%	51%	51%	Information technology

The above investment is directly held by the Company.

19. INVESTMENTS IN JOINT VENTURES (continued)

Shanghai Bingsheng Technology Co., Ltd. is considered as a material joint venture of the Group.

The following table illustrates the summarised financial information in respect of Shanghai Bingsheng Technology Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 RMB'million	2019 RMB'million
Cash and cash equivalents	1,258	1,060
Other current assets	1,027	1,255
Current assets	2,285	2,315
Non-current assets	1,879	2,186
Current liabilities	(165)	(271)
Non-current liabilities	-	(45)
Net assets	3,999	4,185
Including: Net assets attributable to owners of the parent	3,999	4,106
Reconciliation to the Group's interest in the joint venture:		
Capital contributions subscribed but unpaid by other shareholders	-	-
Proportion of the Group's ownership	51%	51%
Carrying amount of the investment	2,040	2,094
Revenue	979	856
Interest income	29	21
Depreciation and amortisation	66	49
Tax	(6)	(127)
Loss and total comprehensive income for the year	(106)	(360)

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2020 RMB'million	2019 RMB'million
Share of the joint venture's profits for the year	-*	-*
Share of the joint venture's total comprehensive income	-*	-*
Aggregate carrying amount of the Group's investments in the joint venture	-*	-*

* The amounts are presented as zero rounded to the nearest million.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Land appreciation tax RMB'million	Deemed profit for pre-sales RMB'million	Deductible losses RMB'million	Others RMB'million	Total RMB'million
At 1 January 2019	1,146	1,205	405	693	3,449
Deferred tax (charged)/credited to the statement of profit or loss	(363)	(753)	(126)	192	(1,050)
Disposal of subsidiaries	(720)	(406)	-	(491)	(1,617)
Attributable to held for sale or discontinued operations	(56)	(46)	-	-	(102)
Exchange realignment	-	-	5	2	7
At 1 January 2020	7	-	284	396	687
Deferred tax (charged)/credited to the statement of profit or loss	(7)	-	208	(9)	192
Exchange realignment	-	-	(2)	(2)	(4)
At 31 December 2020	-	-	490	385	875

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Revaluation of investment properties RMB'million	Fair value adjustments arising from subsidiaries RMB'million	Right-of-use asssets RMB'million	Others RMB'million	Total RMB'million
At 1 January 2019	49,493	732	-	86	50,311
Deferred tax charged/(credited) to the statement of profit or loss	4,512	(39)	-	(76)	4,397
Disposal of subsidiaries	955	(204)	-	(4)	747
Attributable to held for sale or discontinued operations	-	(160)	-	-	(160)
Exchange realignment	-	15	-	-	15
At 1 January 2020	54,960	344	-	6	55,310
Deferred tax charged/(credited) to the statement of profit or loss	3,128	(23)	444	-	3,549
Deferred tax credited to other comprehensive income	-	-	-	10	10
Exchange realignment	-	(9)	(1)	-	(10)
At 31 December 2020	58,088	312	443	16	58,859

Deferred tax assets have not been recognised in respect of the following items:

	2020 RMB'million	2019 RMB'million
Tax losses	11,076	11,314

RMB10,812 million out of the above tax losses arose in Mainland China, which were available for offsetting against future taxable profits in one to five years. The remaining tax losses arose in the United Kingdom, and Hong Kong for offsetting against future taxable profits which had no restriction on years, and the tax losses amounted to RMB214 million, and RMB50 million respectively. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. As at 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate undistributable amount of earnings associated with investments in subsidiaries in the PRC is approximately RMB1,975 million at 31 December 2020 (2019: RMB1,746 million).

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'million	2019 RMB'million
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Shanghai Wanda Network Financial Sevice Co., Ltd.	31	215
Shanghai Wanda Small Loan Co., Ltd.	60	64
Hainan Gaodeng Technology Co., Ltd.	131	90
CITIC Trust-Investment Collection Plan	296	296
Shanghai Wanda Wenchou Investment Management Partnership(“Wenchou”)	-	322
	518	987

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

By the end of the year, the Group redeems its equity interest in Wenchou. The fair value of the redeemed equity interest on the date of redemption was RMB322 million and no accumulated gain recognised in other comprehensive income. During the period, the Group received dividends in the amounts of RMB24 million (31 December 2019: RMB76 million) from Wenchou.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'million	2019 RMB'million
Other unlisted investments, at fair value		
Trust products	10,000	7,000
	10,000	7,000
Current	6,000	7,000
Non-current	4,000	-

The above unlisted investments at 31 December 2020 were trust products issued by trust companies in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. OTHER CURRENT/NON-CURRENT ASSETS

	2020 RMB'million	2019 RMB'million
Entrusted loans	2,500	10,900
Financial products	31,340	23,340
Others	-	233
	33,840	34,473
Current	33,840	31,740
Non-current	-	2,733

24. INVENTORIES

	2020 RMB'million	2019 RMB'million
Hotel merchandise	2	2
Yachts and yachts related	586	444
Others	20	17
Impairment	(29)	(9)
	579	454

The movements in the provision for impairment of inventories are as follows:

	2020 RMB'million	2019 RMB'million
At beginning of year	9	1,238
Impairment losses, net	20	168
Written-off of impairment	-	(826)
Disposal of subsidiaries	-	(572)
Exchange realignment	-	1
At end of year	29	9

25. TRADE AND BILLS RECEIVABLES

	2020 RMB'million	2019 RMB'million
Trade receivables	807	726
Bills receivable	48	15
Impairment	(107)	(46)
	748	695

The Group's trade receivables are mainly due from the leasing properties, hotel operation, hotel management services, hotel design, construction management services and sale of yachts.

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 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.

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

	2020 RMB'million	2019 RMB'million
Within one year	677	632
Over one year	71	63
	748	695

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

	2020 RMB'million	2019 RMB'million
At beginning of year	46	13
Impairment losses, net (note 6)	63	27
Amount written off as uncollectible	(2)	(1)
Exchange realignment	-	7
At end of year	107	46

25. TRADE AND BILLS RECEIVABLES (continued)

The increase (2019: increase) in the loss allowance was due to the following changes in the gross carrying amount:
(i) Increase in the loss allowance of RMB63 million as a result of an increase in trade receivables which were past due for the credit periods (2019: RMB27 million);
(ii) Decrease in the loss allowance of RMB2 million (2019: RMB1 million) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using the simplified approach to provide for expected credit losses prescribed by IFRS 9 to measure expected credit losses, further details of which are given in note 2.4.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'million	2019 RMB'million
Other prepaid tax	2,229	1,628
Prepayments	530	497
Other receivables	5,454	11,073
Impairment allowance	(1,268)	(1,329)
	6,945	11,869

The ageing of other receivables is mainly within one year.

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

	2020 RMB'million	2019 RMB'million
At beginning of year	1,329	367
Impairment losses, net	33	989
Write-off	(83)	-
Exchange realignment	(11)	-
Disposal of subsidiaries	-	(27)
At end of year	1,268	1,329

27. CASH AND CASH EQUIVALENTS

	2020 RMB'million	2019 RMB'million (Restated)
Cash and bank balances (a)	41,486	65,743
Less: Restricted cash		
Government regulation fund	(32)	(252)
Pledged for bank loans	(259)	(258)
Pledged for guarantee deposits	(103)	(1)
Pledged for mortgage deposits	(241)	(263)
Pledged for bank acceptance bill deposits	(53)	(29)
Pledged for others	(150)	(179)
	(838)	(982)
Cash and cash equivalents	40,648	64,761
Cash and bank balances denominated in:		
RMB	35,667	60,261
HKD	139	34
USD	5,454	4,975
GBP	142	181
AUD	76	291
EUR	8	1
	41,486	65,743

(a) The cash and bank balances of the Group denominated in RMB amounted to RMB35,667 million as at 31 December 2020 (2019: RMB60,261 million). The RMB is not freely convertible into other currencies; however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

28. TRADE AND BILLS PAYABLES

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

	2020 RMB'million	2019 RMB'million
With in 1 year	9,792	13,599
1 to 2 years	1,495	1,635
Over 2 years	493	1,110
Total	11,780	16,344

The trade payables are non-interest-bearing and are normally settled based on the progress of the construction of property projects.

29. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'million	2019 RMB'million (Restated)
Advance from customers		2,954	5,561
Contract liabilities	(a)	2,923	2,718
Staff costs payables		3,378	3,069
Interest payable		2,284	2,339
Other taxes payable		998	1,569
Other payables	(b)	16,059	15,401
		28,596	30,657

29. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of contract liabilities are as follows:

	31 December 2020 RMB'million	31 December 2019 RMB'million	1 January 2019 RMB'million
Short-term advances received from customers			
Sale of properties	-	-	42,116
Sale of yachts	360	260	396
Rendering of services	2,563	2,458	1,594
Total contract liabilities	2,923	2,718	44,106

Contract liabilities include short-term advances received to the rendering of services and yachts. The increase in contract liabilities in 2020 was mainly due to increase in the numbers of Wanda Plazas.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rates(%)	Maturity	RMB' million	Effective interest rates(%)	Maturity	RMB' Million
Current						
Bank loans – secured	4.35-5.80	2021	190	3.20	2020	526
Bank loans – unsecured	4.05-6.90	2021	692	-	-	-
Other loans-unsecured	4.35-6.00	2021	10	6.00	2020	91
Current portion of long term						
Bank loans – secured	4.41-7.00	2021	10,643	4.41-6.86	2020	6,984
Bank loans – unsecured	4.15-6.50	2021	342	4.78-6.37	2020	233
Other loans – secured	5.64-6.90	2021	113	5.64	2020	108
Other loans – unsecured	11.50	2021	25	-	-	-
			12,015			7,942
Non-current						
Bank loans – secured	4.41-7.00	2022-2039	78,347	4.41-6.86	2021-2032	79,177
Bank loans – unsecured	4.15-6.50	2022-2039	4,687	4.78-6.37	2023-2030	6,718
Other loans – secured	5.64-9.50	2022-2035	5,148	5.64-8.50	2022-2024	4,287
Other loans – unsecured	11.50	2022-2036	25	11.50	2021	25
			88,207			90,207
			100,222			98,149

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2020 RMB'million	2019 RMB'million
Analysed into:		
Bank loans repayable:		
Within one year or on demand	11,867	7,743
Over one year but within two years	13,716	9,790
Over two years but within five years	32,744	33,346
Beyond five years	36,574	42,759
	94,901	93,638
Other borrowings repayable:		
Within one year or on demand	148	199
Over one year but within two years	916	148
Over two years but within five years	1,403	1,766
Beyond five years	2,854	2,398
	5,321	4,511
	100,222	98,149

Assets that have been pledged as collateral to secure bank and other borrowings are as follows:

	2020 RMB'million	2019 RMB'million
Pledged bank deposits	58	58
Right-of-use assets	-	46
Investment properties	350,839	271,341
Property, plant and equipment	1,075	1,584
	351,972	273,029

Certain subsidiaries in Mainland China which are engaged in the development of real estate projects have entered into fund arrangements with certain financial institutions (the “Trustees”), pursuant to which the Trustees raised trust funds and injected the funds to these subsidiaries. All the funds bear interest at fixed interest rates, have fixed repayment terms, and are secured by equity interests of these subsidiaries. The share of net assets in connection with the secured equity interests was approximately RMB23 million as at 31 December 2020 (2019: RMB84 million).

31. DEFERRED INCOME

	2020 RMB'million	2019 RMB'million
Carrying amount at the beginning of year	610	605
Additions during the year	307	367
Recognised as income during the year	(327)	(288)
Disposal of subsidiaries	-	(74)
Carrying amount at the end of year	590	610
Current portion	-	-
Non-current portion	590	610

Deferred income mainly represents government grants received by the Group as financial subsidies, which were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

32. TAX PAYABLE AND PREPAID TAX

	2020 RMB'million	2019 RMB'million
LAT payable	272	1,497
CIT payable	621	1,394
	893	2,891
Prepaid LAT	(4)	(11)
Prepaid CIT	(108)	(156)
	(112)	(167)

33. BONDS AND NOTES

	2020 RMB'million	2019 RMB'million
Current:		
Unguaranteed notes due 2020,listed(a)	-	27,961
Unguaranteed bonds due 2020, listed (b)	-	9,798
Unguaranteed notes due 2021,listed (c)	11,994	-
Unguaranteed bonds due 2021,listed (d)	24,746	-
Guaranteed bonds due 2020, listed (e)	-	2,086
	36,740	39,845
Non-current:		
Unguaranteed notes due 2021, listed (c)	-	11,975
Unguaranteed bonds due 2021, listed (d)	-	24,722
Guaranteed bonds due 2022, listed (f)	2,570	2,729
Guaranteed bonds due 2023, listed (g)	2,589	-
Guaranteed bonds due 2024, listed (h)	3,889	4,117
Unguaranteed notes due 2023, listed (i)	17,936	-
Unguaranteed bonds due 2024, listed (j)	5,984	-
Unguaranteed bonds due 2025, listed (k)	3,785	-
	36,753	43,543
	73,493	83,388

(a) On 30 July 2015, the Company issued unguaranteed mid-term notes with a due date in July 2020 in an aggregate principal of RMB10,000 million. The notes bear interest at a rate of 4.60% per annum, payable in arrears yearly on 31 July. The notes have been fully repaid on 31 July 2020.

On 13 November 2015, the Company issued unguaranteed mid-term notes with a due date in November 2020 in an aggregate principal of RMB5,000 million. The notes bear interest at a rate of 4.25% per annum, payable in arrears yearly on 16 November. The notes have been fully repaid on 16 November 2020.

On 8 March 2017, the Company issued unguaranteed mid-term notes with a due date in March 2020 in an aggregate principal of RMB5,000 million. The notes bear interest at a rate of 4.80% per annum, payable in arrears yearly on 10 March and have been fully repaid on 9 March 2020.

On 17 April 2017, the Company issued unguaranteed mid-term notes with a due date in April 2020 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 5.20% per annum, payable in arrears yearly on 19 April and have been fully repaid on 17 April 2020.

On 1 June 2017, the Company issued unguaranteed mid-term notes with a due date in June 2020 in an aggregate principal of RMB2,000 million. The notes bear interest at a rate of 5.30% per annum, payable in arrears yearly on 5 June and have been fully repaid on 3 June 2020.

33. BONDS AND NOTES(continued)

(b) On 26 August 2015, the Company issued unguaranteed bonds with a due date in August 2020 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 4.09% per annum, payable in arrears yearly on 27 August.

On 27 August 2018, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2015-Tranche 1) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond (“Bond 2015-Tranche 1”) they hold during the repurchasing registration period (from August 2 to August 6, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2015-Tranche 1 was repurchased for 145,654 hands, with the amount of RMB146 million in total. The coupon rate of Bond 2015-Tranche 1 was increased from 4.09% to 6.80% per annum since 27 August 2018 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest). The bonds have been fully repaid on 26 August 2020.

On 13 October 2015, the Company issued unguaranteed bonds with a due date in October 2020 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.93% per annum, payable in arrears yearly on 14 October.

On 14 Oct 2018, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2015-Tranche 2) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond (“Bond 2015-Tranche 2”) they hold during the repurchasing registration period (from September 12 to September 14, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2015-Tranche 2 was repurchased for 47,814 hands, with the amount of RMB48 million in total. The coupon rate of Bond 2015-Tranche 2 was increased from 3.93% to 6.60% per annum since 14 October 2018 (the coupon rate is calculated on a yearly basis and exempted from overdue interest). The bonds have been fully repaid on 14 Octorber 2020.

(c) On 28 March 2016, the Company issued unguaranteed mid-term notes with a due date in March 2021 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 3.70% per annum, payable in arrears yearly on 29 March.

On 26 April 2016, the Company issued unguaranteed mid-term notes with a due date in April 2021 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 4.00% per annum, payable in arrears yearly on 28 April.

(d) On 13 January 2016, the Company issued unguaranteed bonds with a due date in January 2021 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.20% per annum, payable in arrears yearly on 14 January.

On 14 January 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 1) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond (“Bond 2016-Tranche 1”) they hold during the repurchasing registration period (from December 18 to December 20, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 1 was repurchased for 112,313 hands, with the amount of RMB112 million in total. The coupon rate of Bond 2016-Tranche 1 was increased from 3.20% to 5.50% per annum since 14 January 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

33. BONDS AND NOTES (continued)

On 6 May 2016, the Company issued unguaranteed bonds with a due date in May 2021 in an aggregate principal of RMB8,000 million. The bonds bear interest at a rate of 3.95% per annum, payable in arrears yearly on 6 May.

On 6 May 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 2) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 2") they hold during the repurchasing registration period (from April 2 to April 4, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 2 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 2 was increased from 3.95% to 4.90% per annum since 6 May 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 24 May 2016, the Company issued unguaranteed bonds with a due date in May 2021 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.95% per annum, payable in arrears yearly on 24 May.

On 24 May 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 3) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 3") they hold during the repurchasing registration period (from April 23 to April 25, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 3 was repurchased for 130,000 hands, with the amount of RMB130 million in total. The coupon rate of Bond 2016-Tranche 3 was increased from 3.95% to 4.80% per annum since 24 May 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 13 June 2016, the Company issued unguaranteed bonds with a due date in June 2021 in an aggregate principal of RMB3,000 million. The bonds bear interest at a rate of 3.88% per annum, payable in arrears yearly on 13 June.

On 13 June 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 4) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 4") they hold during the repurchasing registration period (from May 15 to May 17, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 4 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 4 was increased from 3.88% to 4.75% per annum since 13 June 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 12 July 2016, the Company issued unguaranteed bonds with a due date in July 2021 in an aggregate principal of RMB2,000 million. The bonds bear interest at a rate of 3.45% per annum, payable in arrears yearly on 12 July.

33. BONDS AND NOTES (continued)

On 12 July 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 5) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 5") they hold during the repurchasing registration period (from June 19 to June 21, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 5 was repurchased for 4,300 hands, with the amount of RMB4.3 million in total. The coupon rate of Bond 2016-Tranche 5 was increased from 3.45% to 4.70% per annum since 12 July 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 27 July 2016, the Company issued unguaranteed bonds with a due date in July 2021 in an aggregate principal of RMB2,000 million. The bonds bear interest at a rate of 3.36% per annum, payable in arrears yearly on 27 July.

On 29 July 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 6) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 6") they hold during the repurchasing registration period (from July 4 to July 8, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 6 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 6 was increased from 3.36% to 4.70% per annum since 27 July 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

(e) On 1 March 2019, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in February 2020 (the "GB2020 Bonds") in an aggregate principal amount of USD300 million. The GB2020 Bonds bear interest at a rate of 6.25% per annum, payable in arrears half-yearly on 1 September and 27 February of each year, commencing on 1 September 2019. The bonds have been fully repaid on 27 February 2020.

(f) On 5 December 2019, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in December 2022 (the "GB2022 Bonds") in an aggregate principal amount of USD400 million. The GB2022 Bonds bear interest at a rate of 6.95% per annum, payable in arrears half-yearly on 5 June and 5 December of each year, commencing on 5 June 2020.

(g) On 23 January 2020, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in July 2023 (the "GB2023 Bonds") in an aggregate principal amount of USD400 million. The GB2023 Bonds bear interest at a rate of 6.875% per annum, payable in arrears half-yearly on 23 July and 23 January of each year, commencing on 23 July 2020.

(h) On 30 January 2014, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in January 2024 (the "GB2024 Bonds") in an aggregate principal amount of USD600 million. The GB2024 Bonds bear interest at a rate of 7.25% per annum, payable in arrears half-yearly on 29 January and 29 July of each year, commencing on 29 July 2014.

33. BONDS AND NOTES (continued)

(i) On 16 April 2020, the Company issued unguaranteed mid-term notes with a due date in April 2023 in an aggregate principal of RMB5,000 million. The notes bear interest at a rate of 4.89% per annum, payable in arrears yearly on 17 April.

On 1 June 2020, the Company issued unguaranteed mid-term notes with a due date in June 2023 in aggregate principal of RMB2,000 million. The notes bear interest at a rate of 4.70% per annum, payable in arrears yearly on 3 June.

On 10 July 2020, the Company issued unguaranteed mid-term notes with a due date in July 2023 in aggregate principal of RMB5,000 million. The notes bear interest at a rate of 5.20% per annum, payable in arrears yearly on 10 July.

On 29 July 2020, the Company issued unguaranteed mid-term notes with a due date in July 2023 in aggregate principal of RMB3,500 million. The notes bear interest at a rate of 5.38% per annum, payable in arrears yearly on 29 July.

On 12 November 2020, the Company issued unguaranteed mid-term notes with a due date in November 2023 in aggregate principal of RMB2,500 million. The notes bear interest at a rate of 5.58% per annum, payable in arrears yearly on 12 November.

(j) On 9 Octorber 2020, the Company issued unguaranteed bonds with a due date in Octorber 2024 in an aggregate principal of RMB2,000 million. The bonds bear interest at a rate of 5.5% per annum, payable in arrears yearly on 9 Octorber.

On 28 Octorber 2020, the Company issued unguaranteed bonds with a due date in Octorber 2024 in an aggregate principal of RMB2,500 million. The bonds bear interest at a rate of 5.38% per annum, payable in arrears yearly on 28 Octorber.

On 4 December 2020, the Company issued unguaranteed bonds with a due date in December 2024 in an aggregate principal of RMB1,500 million. The bonds bear interest at a rate of 6% per annum, payable in arrears yearly on 4 December.

(k) On 9 September 2020, the Company issued unguaranteed bonds with a due date in September 2025 in an aggregate principal of RMB3,800 million. The bonds bear interest at a rate of 5.58% per annum, payable in arrears yearly on 9 September.

34. SHARE CAPITAL

	2020 RMB'million	2019 RMB'million
Registered, issued and fully paid: 4,527,347,600 (2019: 4,527,347,600) ordinary shares	4,527	4,527

35. RESERVES

(a) Share premium
Included in share premium are reserves resulting from the amount subscribed for issued capital in excess of nominal value.

(b) Capital reserve
Capital reserve comprises mainly the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

(c) Revaluation reserve
The property revaluation reserve arose from the transfer of owner-occupied properties to investment properties at the date of change in use.

(d) Statutory reserve
In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Hedging reserve
Hedging reserve arose from the effective portion of the gain or loss on the hedging instrument.

(f) Fair value reserve of FVOCI
Fair value reserve of FVOCI arose from the revaluation of equity investment designed at fair value through other comprehensive income.

36. SHARE-BASED PAYMENTS

In July 2014, the Company issued a total of 138.8 million new shares at an issue price of RMB7.36 per share to 61 individuals, for a total consideration of RMB1,022 million. The issuance of new shares to the 32 individuals who are employees of the Group, the Parent and the Company's fellow subsidiaries, totalling 75.2 million shares, was considered as compensations for their services and accounted for as equity-settled share-based payment transactions. The fair value of the shares granted to the employees of the Parent and the Company's fellow subsidiaries was amortised and recognised as a deemed distribution over the vesting period. If any of the 32 individuals cease to be employees of the Group, the Parent and the Company's fellow subsidiaries in the vesting period, the shares granted shall be transferred to Mr. Wang Jianlin. Such transfer was considered as right issue to shareholders and was treated as a transaction between shareholders.

In 2020, the Group recognised a net share-based payment expense of RMB(75) million (2019: RMB38 million), including amortisation of a share-based payment expense of RMB 1million (2019: RMB38 million) and a reversal of RMB76 million (2019: Nil) for resigned employees of the Group. The Group recognised a net decrease in retained profits of RMB11 million (2019: RMB14 million), including a deemed distribution of RMB21 million (2019: RMB14 million) and a reversal of RMB10 million (2019: Nil) for resigned employees of the Parent and the Company's fellow subsidiaries. During the year, 10.8 million shares (2019: RMB3.2 million) were exercised due to satisfaction of service conditions, 4.8 million shares (2019: Nil) were forfeited because of the resigned employees, and the Company had restricted shares outstanding amounting to 4.8 million (2019: 20.4 million), which represented approximately 0.1% (2019: 0.5%) of shares in issue at the end of year.

37. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following tables illustrate the summarised financial information of the subsidiaries that have material non-controlling interests ("NCI"). The amounts disclosed are before any inter-company eliminations:

Wanda Hotel

	2020 RMB'million	2019 RMB'million
NCI percentage	34.96%	34.96%
Current assets	2,362	6,878
Non-current assets	3,167	1,715
Current liabilities	(2,632)	(5,793)
Non-current liabilities	(551)	(433)
Non-controlling interests	(477)	(647)
Accumulated balances of NCI	653	602

	2020 RMB'million	2019 RMB'million
Revenue	573	755
Total expenses	(456)	(1,269)
Profit/(loss) for the year	143	(247)
Total comprehensive income/(loss) for the year	147	(225)
Gain/(loss) for the year allocated to NCI	50	(86)
Dividends paid to NCI	-	-

	2020 RMB'million	2019 RMB'million
Net cash flows used in operating activities	(744)	(731)
Net cash flows from investing activities	2,182	156
Net cash flows (used in)/from financing activities	(1,572)	128
Effect of foreign exchange rate changes	(37)	(9)
Net decrease in cash and cash equivalents	(171)	(456)

38. DISPOSAL OF SUBSIDIARIES

(i) The Company entered into agreements with Wanda Real Estate on the disposal of its entire equity interests of the Xi'an Gaoxin for a total consideration of RMB263 million. By the end of the year, the equity transfers have been completed.

(ii) Wanda Chicago Real Estate, LLC, a subsidiary of Wanda Hotel, entered into an agreement with Magellan Parcel C/D LLC on the disposal of 90% of equity interests of the Parcel C for a total consideration of USD270 million. By the end of the year, the equity transfers have been completed.

(iii) In 2017, the Company entered into strategic agreements with Guangzhou R&F Properties Co. Ltd. to dispose 100% interests in 73 subsidiaries engaged in hotel operation. The equity interests transfer of Changchun Wanda have been completed by the end of the year.

The following table illustrates the financial positions as at the disposal dates of the above disposal subsidiaries:

	2020 RMB'million
Net assets disposed of:	
Assets classified as held for sale	12,676
Liabilities directly associated with the assets classified as held for sale	(9,072)
Non-controlling interest	(1,667)
Total net assets	1,937
Gain on disposal of the above disposal subsidiaries	516
Transaction expenses	16
Satisfied by:	
Cash consideration	2,469

An analysis of the cash flows in respect of the disposal of the above disposal subsidiaries is as follows:

	RMB'million
Cash consideration received in 2020	2,278
Cash and cash equivalents disposed of the above disposal subsidiaries	(1,179)
Net inflow of cash and cash equivalents in respect of the disposal of the above disposal subsidiaries	1,099

38. DISPOSAL OF SUBSIDIARIES (continued)

(iv) In 2020, Shiyan Wanda Plaza Real Estate Co., Ltd., a subsidiary of Wanda Commercial Properties (Hong Kong) Co., Ltd., entered into an agreement with Wanda Real Estate on the disposal of its entire equity interests of the Shiyan Wanshang Real Estate Co., Ltd.,("Shiyan Wanshang") for a total consideration of RMB87 million. By the end of the year, the equity transfers have been completed.

The following table illustrates the financial positions as at the disposal dates of Shiyan Wanshang:

	2020 RMB'million
Net assets disposed of:	
Property, plant and equipment	6
Right-of-use assets	39
Cash and cash equilvalents	30
Total net assets	75
Gain on disposal of the subsidiaries	12
Satisfied by:	
Cash consideration	87

An analysis of the cash flows in respect of the disposal of Shiyan Wanshang is as follows:

	RMB'million
Cash consideration received in 2020	87
Cash and cash equivalents disposed of the above disposal subsidiaries	(30)
Net inflow of cash and cash equivalents in respect of the disposal of the above disposal subsidiaries	57

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,687 million(2019: RMB1,302 million) and RMB3,936 million(2019: RMB1,302 million), respectively, in respect of lease arrangements for investment properties and plant and equipment.

(b) Changes in liabilities arising from financing activities

2020

	Lease liabilities RMB'million	Bonds and notes RMB'million	Bank and other loans RMB'million
At 1 January 2020	8,501	83,388	98,149
Changes from financing cash flows	(556)	(9,470)	2,292
New leases	3,687	-	-
Foreign exchange movement	(7)	(529)	(219)
Interest expense	566	104	-
Covid-19-related rent concessions from lessors	(30)	-	-
Termination of the leases	(11)	-	-
At 31 December 2020	12,150	73,493	100,222

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

2019

	Lease liabilities RMB'million	Bonds and notes RMB'million	Bank and other loans RMB'million
At 1 January 2019	7,399	90,619	98,070
Changes from financing cash flows	(562)	(7,425)	5,684
New leases	1,302	-	-
Foreign exchange movement	14	60	103
Interest expense	354	134	-
Attributable to held for sale	(4)	-	(876)
Disposal of subsidiaries	(2)	-	(4,832)
At 31 December 2019	8,501	83,388	98,149

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'million	2019 RMB'million
Within operating activities	(1,204)	(735)
Within investing activities	-	-
Within financing activities	(556)	(562)
	(1,760)	(1,297)

40. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for were as follows:

	2020 RMB'million	2019 RMB'million
Guarantees given to banks for:		
Mortgage facilities granted to		
purchasers of the Group’s properties	4,185	11,700

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group’s properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group’s guarantee periods commence from the dates of grant of the relevant mortgage loans and end upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of a property ownership certificate for the mortgaged property, which is generally available within six months to one year after the purchaser takes possession of the relevant property.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group’s properties. The Directors consider that in case of default on payments, the net realisable values of the related properties can cover the repayments of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

41. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'million	2019 RMB'million
Contracted, but not provided for:		
Buildings, plant and machinery	6,692	8,658
	6,692	8,658

(b) The Group has various lease contracts that have not yet commenced as at 31 December 2020. The future lease payments for these non-cancellable lease contracts are RMB166 million due within one year, RMB1,081 million due in the second to fifth years, inclusive and RMB6,862 million due after five years.

42. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'million	2019 RMB'million
The Parent:		
Rendering of services*	2	2
Rental income	6	7
Disposal of assets	1,235	-
Fellow subsidiaries:		
Purchase of goods	4	4
Purchase of services*	37	71
Purchase of assets	-	268
Acquisition of equity interests	3,844	2,541
Rendering of services*	539	451
Rental income	244	547
Disposal of properties**	-	1,073
Disposal of income right**	-	131
Disposal of equity interests**	350	6,321
Companies controlled by the ultimate controlling shareholder:		
Purchase of goods	2	-
Rendering of services*	191	200
Rental income	261	353
A joint venture:		
Receiving services	218	34
Rendering of services	1	-
Rental income	-	1
Investor which has a significant impact on the Company:		
Receiving services*	147	167
Rendering of services*	170	175
Rental income	943	836

Transactions related to goods, services and rental services were made according to the published prices and conditions offered to the major customers of the Group. The disposal of the subsidiaries were made according to either the fair values determined by valuation report or the sales prices agreed by counterparties.

* These transactions with related parties mainly include property management service, design and other services.

** According to the decision of the Company's board of directors to complete the divestment of the sale of properties business in 2019, the Group will no longer engage in properties development business in the future. By the end of 2019, all of the sale of properties business have been disposed except for the equity interests transfer of Xi'an Gaoxin which was completed in February 2020.

42. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	2020 RMB'million	2019 RMB'million
Trade receivables due from		
Fellow subsidiaries	94	59
Investor which has a significant impact on the Company	-	3
Prepayments and other receivables due from		
Fellow subsidiaries	1,436	5,299
Companies controlled by the ultimate controlling shareholder	35	-
Investor which has a significant impact on the Company	10	157
Trade payables due to		
Fellow subsidiaries	-	2
A joint venture	16	-
Other payables due to		
The Parent	222	26
Fellow subsidiaries	54	242
Companies controlled by the ultimate controlling shareholder	21	23
Investor which has a significant impact on the Company	43	64
Minority shareholder of the Company's subsidiary	533	533
Advance from customers and contract liabilities due to		
Fellow subsidiaries	45	43
Companies controlled by the ultimate controlling shareholder	46	55
Investor which has a significant impact on the Company	109	142
Other borrowings due to		
Companies controlled by the ultimate controlling shareholder	89	92

42. RELATED PARTY TRANSACTIONS (continued)

(c) Guarantees provided by related parties

	2020 RMB'million	2019 RMB'million
Transactions:		
Guarantees provided by the Parent and the ultimate controlling shareholder for the Group's bank and other borrowings	2,218	2,895
Guarantees provided by the Fellow subsidiaries for the Group's bank and other borrowings	-	69
Balance:		
Outstanding balances of the guaranteed loans	848	1,080

(d) Guarantees provided for related parties

	2020 RMB'million	2019 RMB'million
Transactions:		
Guarantees provided for the Fellow subsidiaries for the Group's bank and other borrowings	4,500	4,500
Balance:		
Outstanding balances of the guaranteed loans	3,074	3,418

Details of guarantees provided for the Fellow subsidiaries are the guarantees of borrowings provided by the Company. As at 31 December 2020, WuHan DongHu Wanda Property Co., Ltd. ("WuHan DongHu"), were provided with guarantees of borrowings from China Development Bank Co., Ltd. Hubei Branch, the Export-Import Bank of China Hubei Branch, Shanghai Pudong Development Bank Co., Ltd. Wuhan Branch, Bank of China Wuhan Qingshan sub branch. The above transactions of RMB4,500 million were the total amount of borrowing contracts, and the balances of RMB3,074 million were the borrowing balances as at 31 December 2020.

42. RELATED PARTY TRANSACTIONS (continued)

(e) Deposits in related parties

	2020 RMB'million	2019 RMB'million
Deposits balance in:		
A fellow subsidiary	10	16

Part of rents, utilities and other fees of the shopping mall rent out are traded via Kuaiqian Payment Platform, which is operated by Kuaiqian Payment And Settlement Service Co., Ltd. (a fellow subsidiary of the Company). As at 31 December 2020, the deposits balance in Kuaiqian Payment And Settlement Service Co., Ltd. is RMB10 million (31 December 2019: RMB16 million).

(f) Compensation of key management personnel of the Group

	2020 RMB'million	2019 RMB'million
Salaries and allowances	50	66
Performance related bonuses	15	27
Shard-based payments	1	15
Post-employment benefits	-	2
Total compensation paid to key management personnel	66	110

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	FVOCI	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition RMB'million	Debt investments RMB'million	Financial assets at atmortised cost RMB'million	Total RMB'million
Equity investments at fair value through other comprehensive income	518	-	-	518
Long-term receivables	-	-	1,348	1,348
Financial assets at fair value through profit or loss	-	10,000	-	10,000
Trade and bills receivables	-	-	748	748
Contract assets	-	-	19	19
Financial assets included in prepayments, other receivables and other assets	-	-	4,186	4,186
Other current assets	-	-	33,840	33,840
Restricted cash	-	-	838	838
Cash and cash equivalents	-	-	40,648	40,648
	518	10,000	81,627	92,145

Financial liabilities

	Financial liabilities at amortised cost RMB'million
Trade and bills payables	11,780
Financial liabilities included in other payables and accruals	18,319
Interest-bearing bank and other borrowings	100,222
Bonds and notes	73,493
	203,814

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2019

Financial assets

	FVOCI	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition RMB'million	Debt investments RMB'million	Financial assets at atmortised cost RMB'million	Total RMB'million
Equity investments at fair value through other comprehensive income	987	-	-	987
Long-term receivables	-	-	262	262
Other non-current assets	-	-	2,733	2,733
Financial assets at fair value through profit or loss	-	7,000	-	7,000
Trade and bills receivables	-	-	695	695
Contract assets	-	-	13	13
Financial assets included in prepayments, other receivables and other assets	-	-	9,731	9,731
Other current assets	-	-	31,740	31,740
Restricted cash	-	-	982	982
Cash and cash equivalents	-	-	64,761	64,761
	987	7,000	110,917	118,904

Financial liabilities

	Financial liabilities at amortised cost RMB'million
Trade and bills payables	16,344
Financial liabilities included in other payables and accruals	17,711
Interest-bearing bank and other borrowings	98,149
Dividend payables	46
Bonds and notes	83,388
	215,638

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020	2019	2020	2019
	RMB'million	RMB'million	RMB'million	RMB'million
Financial assets				
Equity investments designated at fair value through other comprehensive income	518	987	518	987
Financial assets at fair value through profit or loss	10,000	7,000	10,000	7,000
	10,518	7,987	10,518	7,987
Financial liabilities				
Bonds and notes, non-current portion	36,753	43,543	46,616	45,995
Interest-bearing bank borrowings non-current portion	83,034	85,895	84,079	86,537
Other borrowings non-current portion	5,173	4,312	5,960	4,840
	124,960	133,750	136,655	137,372

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, long-term receivables, other current assets, other non-current assets, trade and bills payables, dividend payables, financial liabilities included in other payables and accruals and the current portion of bonds and notes and interest bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and bonds and notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	2020: 0.7 to 14.6 (2019: 0.7 to 1.3)	1% (2019:1%) increase/decrease in multiple would result in increase/ decrease in fair value by RMB1 million (2019: RMB1 million)
		Discount for lack of marketability	2020: 25.6% to 28.3% (2019: 20% to 36%)	1% (2019:1%) increase/decrease in discount would result in decrease/ increase in fair value by RMB1million (2019: RMB2 million)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Equity investments designated at fair value through other comprehensive income	-	-	518	518
Financial assets at fair value through profit or loss	-	-	10,000	10,000
	-	-	10,518	10,518

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Equity investments designated at fair value through other comprehensive income	-	-	987	987
Financial assets at fair value through profit or loss	-	-	7,000	7,000
	-	-	7,987	7,987

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

<u>Fair value hierarchy</u> (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'million	2019 RMB'million
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	987	2,560
Total losses recognised in other comprehensive income	(147)	(1,114)
Disposals	(322)	(755)
Reclassification	-	296
At 31 December	518	987

	2020 RMB'million	2019 RMB'million
Financial assets at fair value through profit or loss – unlisted:		
At 1 January	7,000	16,866
Purchases	3,000	370
Reclassification	-	(10,236)
At 31 December	10,000	7,000

<u>Liabilities measured at fair value:</u>

The Group did not have any financial liabilities measured at fair value as at 31 December 2020 and 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Bonds and notes, non-current portion	-	-	46,616	46,616
Interest-bearing bank borrowings non-current portion	-	-	84,079	84,079
Other borrowings non-current portion	-	-	5,960	5,960
	-	-	136,655	136,655

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Bonds and notes, non-current portion	-	-	45,995	45,995
Interest-bearing bank borrowings non-current portion	-	-	86,537	86,537
Other borrowings non-current portion	-	-	4,840	4,840
	-	-	137,372	137,372

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, bonds and notes and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

If interest rates had been 100 basis points higher and all other variables are held constant, the Group's interest charge would have increased by approximately RMB 944 million for the year ended 31 December 2020 (2019: RMB968 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

(b) Foreign currency risk

The Group's main business are principally conducted in RMB and the Group continuously monitors the risk of foreign currency fluctuations faced by overseas investment entities to minimize the foreign currency risks.

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with reputable overseas banks and state-owned banks in Mainland China. The carrying amounts of the trade and bills receivables, other receivables, restricted cash, cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its properties and has provided guarantees to secure the obligations of these purchasers for repayments.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Maximum exposure and year-end staging
The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'million	Stage 2 RMB'million	Stage 3 RMB'million	Simplified approach RMB'million	Total RMB'million
Long-term receivables	1,348	-	-	-	1,348
Trade and bills receivables*	-	-	81	774	855
Contract assets	-	-	1	19	20
Financial assets included in prepayments, other receivables and other assets					
- Normal**	4,438	-	-	-	4,438
- Doubtful**	-	-	1,016	-	1,016
Other current assets	33,840	-	-	-	33,840
Restricted cash					
- Not yet past due	838	-	-	-	838
Cash and cash equivalents					
- Not yet past due	40,648	-	-	-	40,648
	81,112	-	1,098	793	83,003

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information is disclosed in note2.4 to the financial statements, respectively.
** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'million	Stage 2 RMB'million	Stage 3 RMB'million	Simplified approach RMB'million	Total RMB'million
Long-term receivables	262	-	-	-	262
Other non-current assets	2,733	-	-	-	2,733
Trade and bills receivables*	-	-	28	713	741
Contract assets	-	-	-	13	13
Financial assets included in prepayments, other receivables and other assets					
- Normal**	9,736	-	-	-	9,736
- Doubtful**	-	-	1,324	-	1,324
Other current assets	31,740	-	-	-	31,740
Restricted cash					
- Not yet past due	982	-	-	-	982
Cash and cash equivalents					
- Not yet past due	64,761	-	-	-	64,761
	110,214	-	1,352	726	112,292

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information is disclosed in note2.4 to the financial statements, respectively.
** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	Less than 1 year RMB'million	1 to 2 years RMB'million	2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
Lease liabilities	712	766	2,421	18,263	22,162
Interest-bearing bank and other borrowings	17,103	19,904	46,381	48,011	131,399
Trade and bills payables	11,780	-	-	-	11,780
Other payables and accruals	18,319	-	-	-	18,319
Bonds and notes	39,228	4,837	36,779	-	80,844
	87,142	25,507	85,581	66,274	264,504

	2019				
	Less than 1 year RMB'million	1 to 2 years RMB'million	2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
Lease liabilities	517	550	1,677	13,010	15,754
Interest-bearing bank and other borrowings	12,984	14,693	47,894	54,112	129,683
Trade and bills payables	16,344	-	-	-	16,344
Other payables and accruals	17,711	-	-	-	17,711
Bonds and notes	42,999	37,624	3,393	4,152	88,168
	90,555	52,867	52,964	71,274	267,660

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

The Group monitors capital using the gearing ratio and the debt-to-asset ratio. The gearing ratio is defined as net debt divided by capital. Net debt represents interest-bearing bank and other borrowings plus bonds and notes less cash and cash equivalents and restricted cash. Capital represents total equity. The debt-to-asset ratio is total liabilities net of advance from customers and contract liabilities divided by total assets. The gearing ratios at the end of the reporting period were as follows:

	2020 RMB'million	2019 RMB'million
Interest-bearing bank and other borrowings (note 30)	100,222	98,149
Bonds and notes (note 33)	73,493	83,388
Less:		
Cash and cash equivalents (note 27)	(40,648)	(64,761)
Restricted cash (note 27)	(838)	(982)
Net debt	132,229	115,794
Total equity	276,707	277,313
Gearing ratio	47.8%	41.8%

The debt-to-asset ratios at the end of the reporting period were as follows:

	2020 RMB'million	2019 RMB'million
Total liabilities	286,846	302,439
Less:		
Advance from customers (note 29)	(2,954)	(5,561)
Contract liabilities (note 29)	(2,923)	(2,718)
	280,969	294,160
Total assets	563,553	579,752
Debt-to-asset ratio	49.9%	50.7%

46. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to agreements entered into between the Company and its related party, Wanda Real Estate Group Co., Ltd. in 2020, the Company has agreed to acquire the entire equity interests of the subsidiaries, Huangshi Wanda Business Consulting Service Co., Ltd. and Anqing Wanda Commercial Co., Ltd. at a total consideration of RMB10 million. The Company need repay the shareholder borrowings on behalf of the target companies for the amount of RMB320 million. The transaction has been completed as at the date of this report.

(b) In February 2021, the Company received the "Reply for approving Dalian Wanda Commercial Management Group Co., Ltd. to issue the bonds to qualified investors" issued by the China Securities Regulatory Commission (“the CSRC”). The CSRC approved the Company to issue the bonds with a total par value of no more than RMB12,800 million to qualified investors. The bonds will be issued by stages. The first issuance shall be completed within 12 months from the approved issuance date, and the issuance of the remaining bonds shall be completed within 24 months from the approved issuance date. The above issuance of the bonds is still in progress as at the date of this report.

47. COMPARATIVE AMOUNTS

The comparative statements of balance sheet and cash flow have been re-presented as if the combination of entities under common control during the current year had always been part of the Group (note 2.1).

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

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Independent auditor's report
To the shareholders of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Opinion
We have audited the consolidated financial statements of Dalian Wanda Commercial Management Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent auditor's report (continued)
To the shareholders of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Fair value of investment properties	
The Group's investment properties were measured at fair value and carried at RMB432,119 million as at 31 December 2019, with an increase in fair value of RMB12,024 million for the year then ended. The fair value of investment properties was determined by the Group based on the valuations performed by an independent professional valuer (the "Valuer") engaged by the Group. The valuation of investment properties was dependent on management estimates and assumptions, including monthly market rents, discount rates and occupancy rates. All the relevant key estimates and assumptions were influenced by the prevailing market conditions and the use of different estimates and assumptions could result in significantly different fair values. The disclosures about investment properties were included in note 2.4 summary of significant accounting policies, note 3 significant accounting judgements and estimates and note 15 investment properties to the consolidated financial statements.	We considered the objectivity, independence and expertise of the Valuer. We obtained the valuation report of investment properties and assessed the appropriateness of the valuation methods applied. We selected samples based on risks and fair value change amounts and involved our internal valuation specialists to assist us in assessing relevant key estimates and assumptions used in the valuation, including monthly market rents, discount rates and occupancy rates, by independently gathering and analyzing the data of comparable properties in the market and the characteristics of individual investment properties such as location and size. We also assessed the adequacy of the related disclosures in the consolidated financial statements.
Revenue recognition – Sales of properties	
During the year of 2019, the sale of properties business was classified as discontinued operation and RMB39,955 million of the Group's revenue was derived from the sale of properties. The revenue from sale of properties was recognised when the properties were completed and the controls were transferred. The controls were transferred when the properties were accepted or deemed to have been accepted according to the acceptance terms of sales contracts. The disclosures about revenue from sales of properties were included in note 2.4 summary of significant accounting policies and note 11 discontinued operations to the consolidated financial statements.	Our audit procedures included, amongst others, assessing the design and operating effectiveness of controls over revenue from sale of properties recognition, especially the timing of revenue from sale of properties recognition. We reviewed the key terms of a sample of sales contracts to assess whether the Group's revenue recognition policies met the requirements of the relevant standards. We performed test on a sampling basis, including checking to completion reports, sales contracts, notifications of properties' acceptance and clients' acceptance. We also assessed the sales of properties recognised before and after the year end to determine whether revenue from the sale of properties was recognised in the proper period. Furthermore, we checked the appropriateness of the related disclosures in the consolidated financial statements.

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Independent auditor's report (continued)
To the shareholders of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Responsibilities of the directors and those charged with governance for the consolidated financial statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)
To the shareholders of Dalian Wanda Commercial Management Group Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Certified Public Accountants
Hong Kong
31 March 2020

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'million	2018 RMB'million (Restated)
CONTINUING OPERATIONS			
Revenue	5	39,769	34,447
Cost of sales		(14,709)	(12,281)
Gross profit		25,060	22,166
Other income and gains	5	3,832	2,383
Increase in fair value of investment properties, net		12,024	15,603
Selling and distribution expenses		(1,195)	(911)
Administrative expenses		(3,958)	(2,979)
Other expenses	6	(620)	(1,285)
Finance costs	8	(10,017)	(8,058)
Share of profits and losses of joint ventures		(184)	(68)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	24,942	26,851
Income tax expense	9	(6,395)	(7,600)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		18,547	19,251
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	6,573	12,415
PROFIT FOR THE YEAR		25,120	31,666
Attributable to:			
Owners of the parent		24,423	29,367
Non-controlling interests		697	2,299
		25,120	31,666
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
- For profit for the year	13	RMB5.39	RMB6.49
- For profit from continuing operations	11&13	RMB4.04	RMB4.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'million	2018 RMB'million (Restated)
PROFIT FOR THE YEAR	25,120	31,666
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	(368)	319
Net gain on cash flow hedges	-	1
	(368)	320
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods (net of tax):		
Equity instruments designated at fair value through other comprehensive income	(1,114)	(1,002)
Other comprehensive loss for the year, net of tax	(1,482)	(682)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	23,638	30,984
Attributable to:		
Owners of the parent	22,921	28,661
Non-controlling interests	717	2,323
	23,638	30,984

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 RMB'million	2018 RMB'million (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	6,913	9,029
Investment properties	15	432,119	407,412
Right-of-use assets	16	1,436	-
Prepaid land lease payments and permanent land		-	1,640
Goodwill	17	287	1,338
Other intangible assets	18	1,817	1,914
Investments in joint ventures	19	2,094	2,278
Equity investments designated at fair value through other comprehensive income	21	987	2,560
Financial assets at fair value through profit or loss	22	-	8,236
Long-term receivables		262	407
Deferred tax assets	20	1,841	3,449
Other non-current assets	23	2,733	3,702
Total non-current assets		450,489	441,965
CURRENT ASSETS			
Inventories	24	454	47,211
Prepaid tax	34	167	6,548
Trade and bills receivables	25	695	810
Contract assets		13	-
Contract incremental costs	27	-	231
Prepayments, other receivables and other assets	26	11,869	10,899
Financial assets at fair value through profit or loss	22	7,000	8,630
Other current assets	23	31,740	23,100
Restricted cash	28	982	5,917
Cash and cash equivalents	28	64,757	77,362
		117,677	180,708
Assets of disposal groups classified as held for sale	10&11	12,736	3,289
Total current assets		130,413	183,997
CURRENT LIABILITIES			
Trade and bills payables	29	16,344	34,695
Other payables and accruals	30	30,653	79,074
Interest-bearing bank and other borrowings	31	8,130	10,793
Deferred income	33	-	117
Dividend payables		46	35
Taxes payable	34	2,891	4,217
Bonds and notes	35	39,845	11,986
		97,909	140,917
Liabilities directly associated with the assets classified as held for sale	10&11	6,230	-
Total current liabilities		104,139	140,917
NET CURRENT ASSETS		26,274	43,080
TOTAL ASSETS LESS CURRENT LIABILITIES		476,763	485,045

Continued/...

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

	Notes	2019 RMB'million	2018 RMB'million (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		476,763	485,045
NON-CURRENT LIABILITIES			
Bonds and notes	35	43,543	78,633
Interest-bearing bank and other borrowings	31	98,520	90,883
Deferred income	33	610	488
Deferred tax liabilities	20	56,464	50,311
Other non-current liabilities		313	-
Total non-current liabilities		199,450	220,315
Net assets		277,313	264,730
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	4,527	4,527
Reserves	37	259,626	241,260
		264,153	245,787
Non-controlling interests		13,160	18,943
Total equity		277,313	264,730

Director

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent											
	Share capital RMB'million (note36)	Share premium RMB'million (note37(a))	Capital reserve RMB'million (note37(b))	Revaluation reserve RMB'million (note37(c))	Statutory reserve RMB'million (note37(d))	Exchange fluctuation reserve RMB'million	Hedging reserve RMB'million (note37(e))	Fair value reserve of FVOCI[1] RMB'million (note37(f))	Retained profits RMB'million	Total RMB'million	Non controlling interests RMB'million	Total equity RMB'million
At 1 January 2018	4,527	24,458	(179)	35	2,264	135	-	159	190,126	221,525	21,673	243,198
Profit for the year	-	-	-	-	-	-	-	-	29,367	29,367	2,299	31,666
Other comprehensive income for the year	-	-	-	-	-	295	1	(1,002)	-	(706)	24	(682)
Total comprehensive income for the year	-	-	-	-	-	295	1	(1,002)	29,367	28,661	2,323	30,984
Business combination under common control	-	-	1	-	-	-	-	-	-	1	-	1
Acquisition of non-controlling interests	-	-	483	-	-	-	-	-	-	483	(2,074)	(1,591)
Capital reduction of non-controlling interests	-	-	-	-	-	-	-	-	(158)	(158)	(1,846)	(2,004)
Share-based payments	-	-	32	-	-	-	-	-	(3)	29	-	29
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(1,133)	(1,133)
Final 2017 dividend declared	-	-	-	-	-	-	-	-	(4,754)	(4,754)	-	(4,754)
At 31 December 2018	4,527	24,458*	337*	35*	2,264*	430*	1*	(843)*	214,578*	245,787	18,943	264,730

continued/…

[1] FVOCI: Financial assets at fair value through other comprehensive income

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2019

	Attributable to owners of the parent											
	Share capital RMB'million (note36)	Share premium RMB'million (note37(a))	Capital reserve RMB'million (note37(b))	Revaluation reserve RMB'million (note37(c))	Statutory reserve RMB'million (note37(d))	Exchange fluctuation reserve RMB'million	Hedging reserve RMB'million (note37(e))	Fair value reserve of FVOCI[2] RMB'million (note37(f))	Retained profits RMB'million	Total RMB'million	Non controlling interests RMB'million	Total equity RMB'million
At 1 January 2019	4,527	24,458	337	35	2,264	430	1	(843)	214,578	245,787	18,943	264,730
Profit for the year	-	-	-	-	-	-	-	-	24,423	24,423	697	25,120
Other comprehensive income for the year	-	-	-	-	-	(388)	-	(1,114)	-	(1,502)	20	(1,482)
Total comprehensive income for the year	-	-	-	-	-	(388)	-	(1,114)	24,423	22,921	717	23,638
Acquisition of non-controlling interests	-	-	161	-	-	-	-	-	-	161	(2,976)	(2,815)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(55)	(55)
Disposal of FVOCI	-	-	-	-	-	-	-	1,411	(1,411)	-	-	-
Capital reduction of non-controlling interests	-	-	-	-	-	-	-	-	-	-	(2,224)	(2,224)
Share-based payments	-	-	52	-	-	-	-	-	(14)	38	-	38
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(1,245)	(1,245)
Final 2018 dividend declared	-	-	-	-	-	-	-	-	(4,754)	(4,754)	-	(4,754)
At 31 December 2019	4,527	24,458*	550*	35*	2,264*	42*	1*	(546)*	232,822*	264,153	13,160	277,313

* These reserve accounts comprise the consolidated reserves of RMB259,626 million (2018: RMB241,260 million) in the consolidated statement of financial position.

[2] FVOCI: Financial assets at fair value through other comprehensive income

DALIAN WANDA COMMERCIAL MANAGEMENT GROUP CO., LTD.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'million	2018 RMB'million (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		24,942	26,851
From discontinued operations	11	12,635	23,281
Adjustments for:			
Finance costs		10,843	9,546
Share-based payments	38	38	29
Share of profits and losses of joint ventures		184	68
Bank interest income		(828)	(991)
Foreign exchange gain, net		(80)	-
Depreciation	14	500	514
Amortisation of right-of-use assets (2018: amortisation of prepaid land lease payments)	16	133	29
Amortisation of other intangible assets	18	176	180
Impairment of property, plant and equipment	14	27	64
Impairment of trade receivables	25	27	-
Impairment of other receivables	26	989	77
Impairment of inventories	24	168	926
Impairment of goodwill	17	563	1,113
Impairment of assets of disposal classified as held for sale	6	165	95
Impairment of right-of-use assets	16	257	-
Impairment of other intangible assets	18	-	125
Loss on disposal of items of property, plant and equipment, net		5	1
Loss on disposal of items of prepaid land lease payments and permanent land		-	90
Gain on disposal of subsidiaries, net	40	(5,048)	(3,361)
Gain on financial products and trust products	5	(1,590)	(648)
Gain on entrusted loan	5	(1,261)	(1,185)
Increase in fair value of investment properties, net	15	(12,024)	(15,603)
Gain on equity investments designated at fair value through other comprehensive income		(98)	-
Impact on financing components and contrat incremental costs		(196)	(194)
		30,527	41,007
Decrease in inventories		23,720	52,508
Increase in trade and bills receivables		(59)	(193)
Increase in prepayments, other receivables and other assets		(1,447)	(1,361)
Decrease in restricted cash		2,801	448
Decrease in trade and bills payables		(10,969)	(19,042)
Decrease in other payables and accruals		(19,515)	(34,519)
Increase/(decrease) in deferred income		79	(120)
Cash generated from operations		25,137	38,728
Interest received		828	991
Corporate income tax and land appreciation tax paid		(8,793)	(10,418)
Net cash flows from operating activities		17,172	29,301

Continued/…

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

	Notes	2019 RMB'million	2018 RMB'million (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(725)	(680)
Additions to investment properties		(7,672)	(11,748)
Additions to prepaid land lease payments and permanent land		-	(135)
Additions to other intangible assets		(46)	(98)
Purchase of a joint venture		-	(2,346)
Net proceeds from/(to) equity investments designated at fair value through other comprehensive income		852	(1,167)
Net proceeds (to)/from financial assets at fair value through profit or loss		(615)	6,263
Net proceeds from/(to) other current assets and other non-current assets		3,967	(16,377)
Proceeds from disposal of items of property, plant and equipment		2	124
Proceeds from disposal of prepaid land lease payments and permanent land		89	554
Acquisition of subsidiaries		(366)	(3)
Disposal of assets of a disposal group classified as held for sale		2,925	-
Advances for acquisition of subsidiaries		(1,212)	-
Acquisition of non-controlling interests		(2,421)	(1,591)
Disposal of subsidiaries		(401)	(116)
Net cash flows used in investing activities		(5,623)	(27,320)
Net proceeds from issue of bonds and notes		4,822	-
New bank loans		24,522	19,272
Repayment of bank loans		(18,838)	(35,906)
Repayment of bond and notes		(12,247)	(4,133)
Interest and bank charge paid		(10,070)	(10,785)
Dividends paid to non-controlling shareholders		(1,453)	(1,187)
Dividends paid		(4,743)	(4,742)
Principal portion of lease payments/finance lease rental payments		(562)	(183)
Capital reduction of non-controlling shareholders		(2,119)	(1,846)
Net cash flows used in financing activities		(20,688)	(39,510)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(9,139)	(37,529)
Cash and cash equivalents at beginning of year		77,362	114,945
Effect of foreign exchange rate changes, net		70	(54)
CASH AND CASH EQUIVALENTS AT END OF YEAR		68,293	77,362
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	28	64,757	77,362
Cash and cash equivalents classified as discontinued operations	11	3,536	-
Cash and cash equivalents as stated in the consolidated statement of cash flows		68,293	77,362

1. CORPORATE AND GROUP INFORMATION

Dalian Wanda Commercial Management Group Co., Ltd. (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The Company's registered office is located at No. 539, Changjiang Road, Xigang District, Dalian, Mainland China.

The Company and its subsidiaries (together, the "Group") are principally engaged in property leasing and management, property development and hotel operation. The Group is gradually transforming into a Group focused on commercial management, and will stop engaging in property development.

In the opinion of the Company's directors (the "Directors"), the holding company of the Company is Dalian Wanda Group Co., Ltd. (the "Parent"), a company established in the PRC. The ultimate controlling shareholder is Mr. Wang Jianlin.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanxi Huayuan Wanda Industrial Development Co., Ltd.	陕西华源万达实业发展有限公司	PRC/Mainland China 26 November 1992	50,000	100%	-	Property leasing
Beijing Wanda Plaza Industrial Co., Ltd.	北京万达广场实业有限公司	PRC/Mainland China 10 October 1999	200,000	100%	-	Property leasing and hotel operation
Nanjing Wanda Commercial and Property Management Co., Ltd.	南京万达商业物业管理有限公司	PRC/Mainland China 28 August 2001	50,000	100%	-	Property development
Nanchang Wanda Xingcheng Business Services Co., Ltd.	南昌万达星城商务服务有限公司	PRC/Mainland China 23 April 2002	50,000	100%	-	Property development
Shanghai Wanda Commercial Plaza Property Co., Ltd.	上海万达商业广场置业有限公司	PRC/Mainland China 13 December 2002	80,000	100%	-	Property leasing
Ningbo Wanda Commercial Plaza Co., Ltd.	宁波万达商业广场有限公司	PRC/Mainland China 16 February 2004	50,000	100%	-	Property leasing
Ningbo Wanda Property Management Co., Ltd.	宁波万达物业管理有限公司	PRC/Mainland China 1 September2004	50,000	100%	-	Property management
Xi'an Wanda Commercial Plaza Co., Ltd.	西安万达商业广场有限公司	PRC/Mainland China 2 September 2005	50,000	100%	-	Property leasing
Suzhou Wanda Plaza Investment Co., Ltd.	苏州万达广场投资有限公司	PRC/Mainland China 19 January 2006	50,000	100%	-	Property leasing
Harbin Wanda Commercial Investment Co., Ltd.	哈尔滨万达商业投资有限公司	PRC/Mainland China 15 March 2006	34,000	100%	-	Property leasing
Chengdu Wanda Commercial Plaza Investment Co., Ltd.	成都万达商业广场投资有限公司	PRC/Mainland China 20 March 2006	50,000	100%	-	Property leasing
Chongqing Wanda Commercial Plaza Co., Ltd.	重庆万达商业广场有限公司	PRC/Mainland China 10 May 2006	50,000	100%	-	Property leasing
Wuxi Wanda Commercial Plaza Investment Co., Ltd.	无锡万达商业广场投资有限公司	PRC/Mainland China 19 October 2006	50,000	100%	-	Property leasing
Shenyang Wanda Real Estate Co., Ltd.	沈阳万达房地产有限公司	PRC/Mainland China 26 October 2006	1,600,000	100%	-	Property leasing
Wanda Commercial Planning Research Institute Co., Ltd.	万达商业规划研究院有限公司	PRC/Mainland China 9 January 2007	50,000	100%	-	Commercial planning and research
Wanda Commercial Management Co., Ltd.	万达商业管理集团有限公司	PRC/Mainland China 8 February 2007	50,000	100%	-	Commercial management
Wanda Hotel Construction Co., Ltd.	万达酒店建设有限公司	PRC/Mainland China 13 April 2007	50,000	100%	-	Hotel management service
Chongqing Wanda Hotel Management Co., Ltd.	重庆万达酒店管理有限公司	PRC/Mainland China 30 March 2007	70,000	100%	-	Hotel management service
Beijing Yinhe Wanda Business Management Co., Ltd.	北京银河万达企业管理有限公司	PRC/Mainland China 29 May 2007	18,000	100%	-	Property leasing
Sanya Wanda Hotel Co., Ltd.	三亚万达大酒店有限公司	PRC/Mainland China 17 July 2007	50,000	100%	-	Hotel operation
Nanjing Wanda Plaza Investment Co., Ltd.	南京万达广场投资有限公司	PRC/Mainland China 16 August 2007	300,000	100%	-	Property leasing
Qingdao Wanda Plaza Property Management Co., Ltd.	青岛万达广场物业管理有限公司	PRC/Mainland China 24 September 2007	50,000	100%	-	Property leasing
Jilin Diwang Property Development Co., Ltd.	吉林省地王置业开发有限公司	PRC/Mainland China 29 September 2007	50,000	100%	-	Propertyleasing
Jinan Wanda Commercial Plaza Property Co., Ltd.	济南万达商业广场置业有限公司	PRC/Mainland China 30 October 2007	50,000	100%	-	Property development
Shanghai Wanda Plaza Property Co., Ltd.	上海万达广场置业有限公司	PRC/Mainland China 20 November 2007	50,000	100%	-	Property leasing
Huai'an Wanda Plaza Investment Co., Ltd.	淮安万达广场投资有限公司	PRC/Mainland China 28 December 2007	50,000	100%	-	Property leasing
Shanxi Yinfeng Minle Property Co., Ltd.	陕西银丰民乐置业有限公司	PRC/Mainland China 30 May 2008	50,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Tangshan Wanda Plaza Investment Co., Ltd.	唐山万达广场投资有限公司	PRC/Mainland China 12 November 2008	50,000	100%	-	Property development
Luoyang Wanda Industrial Co., Ltd.	洛阳万达实业有限公司	PRC/Mainland China 19 December 2008	50,000	100%	-	Property leasing
Shijiazhuang Wanda Plaza Investment Co., Ltd.	石家庄万达广场投资有限公司	PRC/Mainland China 29 December 2008	3,125,000	100%	-	Property leasing
Shanghai Jiading Wanda Investment Co., Ltd.	上海嘉定万达投资有限公司	PRC/Mainland China 11 February 2009	50,000	100%	-	Property leasing
Baotou Wanda Plaza Investment Co., Ltd.	包头万达广场投资有限公司	PRC/Mainland China 3 April 2009	50,000	100%	-	Property leasing
Hohhot Wanda Plaza Investment Co., Ltd.	呼和浩特万达广场投资有限公司	PRC/Mainland China 7 April 2009	100,000	100%	-	Property development
Yichang Wanda Plaza Investment Co., Ltd.	宜昌万达广场投资有限公司	PRC/Mainland China 10 April 2009	80,000	100%	-	Property leasing
Tianjin Hedong Wanda Plaza Investment Co., Ltd.	天津河东万达广场投资有限公司	PRC/Mainland China 16 April 2009	100,000	100%	-	Property leasing
Wuhan Wanda Plaza Investment Co., Ltd.	武汉万达广场投资有限公司	PRC/Mainland China 28 April 2009	50,000	100%	-	Propertyleasing
Dalian Yifang Commercial Investment Co., Ltd.	大连一方商业投资有限公司	PRC/Mainland China 31 May 2009	20,000	100%	-	Property leasing
Fuzhou Wanda Plaza Investment Co., Ltd.	福州万达广场投资有限公司	PRC/Mainland China 10 June 2009	100,000	100%	-	Property leasing
Xiangyang Wanda Plaza Business Management Co., Ltd.	襄阳万达广场企业管理有限公司	PRC/Mainland China 10 June 2009	50,000	100%	-	Property leasing
Hefei Wanda Plaza Commercial Development Co., Ltd.	合肥万达广场商业发展有限公司	PRC/Mainland China 12 June 2009	400,000	100%	-	Property leasing
Shaoxing Keqiao Wanda Plaza Investment Co., Ltd.	绍兴柯桥万达广场投资有限公司	PRC/Mainland China 31 July 2009	50,000	100%	-	Property leasing
Ningbo Jiangbei Wanda Plaza Investment Co., Ltd.	宁波江北万达广场投资有限公司	PRC/Mainland China 19 August 2009	100,000	100%	-	Property leasingt
Chengdu Jinniu Wanda Plaza Investment Co., Ltd.	成都金牛万达广场投资有限公司	PRC/Mainland China 27 August 2009	50,000	100%	-	Property development
Zhengzhou Wanda Plaza Investment Co., Ltd.	郑州万达广场投资有限公司	PRC/Mainland China 14 October 2009	60,010	100%	-	Propertyleasing
Guangzhou Wanda Plaza Investment Co., Ltd.	广州万达广场投资有限公司	PRC/Mainland China 20 October 2009	100,000	100%	-	Property leasing
Daqing Saertu Wanda Plaza Investment Co., Ltd.	大庆萨尔图万达广场投资有限公司	PRC/Mainland China 3 November 2009	50,000	100%	-	Property leasing
Zhenjiang Wanda Plaza Investment Co., Ltd.	镇江万达广场投资有限公司	PRC/Mainland China 25 November 2009	100,000	100%	-	Property leasing
Yinchuan Jinfeng Wanda Plaza Investment Co., Ltd.	银川金凤万达广场投资有限公司	PRC/Mainland China 10 December 2009	100,000	100%	-	Property leasing
Xiamen Huli Wanda Plaza Investment Co., Ltd.	厦门湖里万达广场投资有限公司	PRC/Mainland China 11 March 2010	20,000	100%	-	Property leasing
Wuhan Jingkai Wanda Plaza Investment Co., Ltd.	武汉经开万达广场投资有限公司	PRC/Mainland China 23 March 2010	50,000	100%	-	Property leasing
Taizhou Hailing Wanda Plaza Investment Co., Ltd.	泰州海陵万达广场投资有限公司	PRC/Mainland China 24 March 2010	40,000	100%	-	Property leasing
Changsha Kaifu Wanda Plaza Investment Co., Ltd.	长沙开福万达广场投资有限公司	PRC/Mainland China 19 April 2010	100,000	100%	-	Property development
Langfang Wanda Plaza Investment Co., Ltd.	廊坊万达广场投资有限公司	PRC/Mainland China 11 May 2010	90,000	100%	-	Property leasing
Quanzhou Puxi Wanda Plaza Investment Co., Ltd.	泉州浦西万达广场投资有限公司	PRC/Mainland China 25 May 2010	311,300	100%	-	Property development
Changzhou Xinbei Wanda Plaza Investment Co., Ltd.	常州新北万达广场投资有限公司	PRC/Mainland China 28 May 2010	100,000	100%	-	Property leasing
Chongqing Wanzhou Wanda Commercial Plaza Co., Ltd.	重庆万州万达商业广场有限公司	PRC/Mainland China 28 June 2010	200,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanghai Baoshan Wanda Investment Co., Ltd.	上海宝山万达投资有限公司	PRC/Mainland China 23 July 2010	100,000	65%	-	Property leasing
Langfang Wanda Xueyuan Investment Co., Ltd.	廊坊万达学苑投资有限公司	PRC/Mainland China 13 August 2010	50,000	100%	-	Consultancy
Hefei Tian'e'hu Wanda Plaza Investment Co., Ltd.	合肥天鹅湖万达广场投资有限公司	PRC/Mainland China 17 September 2010	50,000	100%	-	Property leasing
Nanchang Honggutan Wanda Plaza Investment Co., Ltd.	南昌红谷滩万达广场投资有限公司	PRC/Mainland China 9 October 2010	90,000	100%	-	Property leasing
Lanzhou Wanda Plaza Investment Co., Ltd.	兰州万达广场投资有限公司	PRC/Mainland China 15 October 2010	100,000	100%	-	Property leasing
Jinjiang Wanda Plaza Co., Ltd.	晋江万达广场有限公司	PRC/Mainland China 26 October 2010	50,000	100%	-	Property leasing
Zhengzhou Erqi Wanda Plaza Co., Ltd.	郑州二七万达广场有限公司	PRC/Mainland China 15 November 2010	100,000	100%	-	Property leasing
Yantai Zhifu Wanda Plaza Co., Ltd.	烟台芝罘万达广场有限公司	PRC/Mainland China 15 November 2010	50,000	100%	-	Property development
Ningde Wanda Plaza Co., Ltd.	宁德万达广场有限公司	PRC/Mainland China 23 November 2010	50,000	100%	-	Property development
Jiangyin Wanda Plaza Investment Co., Ltd.	江阴万达广场投资有限公司	PRC/Mainland China 26 November 2010	50,000	100%	-	Property leasing
Zhangzhou Wanda Plaza Co., Ltd.	漳州万达广场有限公司	PRC/Mainland China 30 November 2010	100,000	100%	-	Property development
Qingdao Licang Wanda Plaza Investment Co., Ltd.	青岛李沧万达广场投资有限公司	PRC/Mainland China 17 December 2010	100,000	100%	-	Property leasing
Fushun Wanda Plaza Co., Ltd.	抚顺万达广场有限公司	PRC/Mainland China 23 December 2010	100,000	100%	-	Property development
Mianyang Fucheng Wanda Plaza Co., Ltd.	绵阳涪城万达广场有限公司	PRC/Mainland China 4 January 2011	50,000	100%	-	Property leasing
Changchun Kuancheng Wanda Plaza Co., Ltd.	长春宽城万达广场有限公司	PRC/Mainland China 4 January 2011	100,000	100%	-	Property leasing
Wenzhou Longwan Wanda Plaza Investment Co., Ltd.	温州龙湾万达广场投资有限公司	PRC/Mainland China 5 January 2011	100,000	100%	-	Property development
Harbin Haxi Wanda Plaza Co., Ltd.	哈尔滨哈西万达广场有限公司	PRC/Mainland China 19 January 2011	50,000	100%	-	Property leasing
Wuhu Wanda Plaza Co., Ltd.	芜湖万达广场有限公司	PRC/Mainland China 21 January 2011	100,000	100%	-	Property development
Taicang Wanda Plaza Investment Co., Ltd.	太仓万达广场投资有限公司	PRC/Mainland China 23 February 2011	100,000	100%	-	Property leasing
Yixing Wanda Plaza Co., Ltd.	宜兴万达广场有限公司	PRC/Mainland China 7 March 2011	50,000	100%	-	Property leasing
Guangzhou Wannuo Investment Management Co., Ltd.	广州市万诺投资管理有限公司	PRC/Mainland China 13 May 2011	8,000	100%	-	Property development
Wuxi Huishan Wanda Plaza Co., Ltd.	无锡惠山万达广场有限公司	PRC/Mainland China 16 May 2011	50,000	100%	-	Property development
Putian Wanda Plaza Co., Ltd.	莆田万达广场有限公司	PRC/Mainland China 17 May 2011	100,000	100%	-	Property leasing
Tianjin Wanda Center Investment Co., Ltd.	天津万达中心投资有限公司	PRC/Mainland China 19 May 2011	50,000	100%	-	Property development
Dongguan Chang'an Wanda Plaza Co., Ltd.	东莞长安万达广场有限公司	PRC/Mainland China 25 May 2011	100,000	100%	-	Property development
Xiamen Jimei Wanda Plaza Co., Ltd.	厦门集美万达广场有限公司	PRC/Mainland China 19 July 2011	200,000	100%	-	Property development
Jining Taibailu Wanda Plaza Co., Ltd.	济宁太白路万达广场有限公司	PRC/Mainland China 2 August 2011	100,000	100%	-	Property development
Shenyang Aoti Wanda Plaza Co., Ltd.	沈阳奥体万达广场有限公司	PRC/Mainland China 8 September 2011	300,000	100%	-	Property development
Yuyao Wanda Plaza Investment Co., Ltd.	余姚万达广场投资有限公司	PRC/Mainland China 29 September 2011	250,000	100%	-	Property leasing
Xuzhou Wanda Plaza Co., Ltd.	徐州万达广场有限公司	PRC/Mainland China 20 October 2011	50,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Bengbu Wanda Plaza Co., Ltd.	蚌埠万达广场有限公司	PRC/Mainland China 24 October 2011	50,000	100%	-	Property development
Xi'an Daminggong Wanda Plaza Co., Ltd.	西安大明宫万达广场有限公司	PRC/Mainland China 30 November 2011	50,000	100%	-	Property development
Chifeng Wanda Plaza Co., Ltd.	赤峰万达广场有限公司	PRC/Mainland China 16 December 2011	50,000	100%	-	Property development
Shanghai Songjiang Wanda Plaza Investment Co., Ltd.	上海松江万达广场投资有限公司	PRC/Mainland China 22 December 2011	50,000	100%	-	Property leasing
Nanjing Jiangning Wanda Plaza Co., Ltd.	南京江宁万达广场有限公司	PRC/Mainland China 29 December 2011	400,000	100%	-	Property leasing
Dandong Wanda Plaza Co., Ltd.	丹东万达广场有限公司	PRC/Mainland China 9 February 2012	550,000	100%	-	Property development
Weifang Wanda Plaza Co., Ltd.	潍坊万达广场有限公司	PRC/Mainland China 10 February 2012	400,000	100%	-	Property development
Guangzhou Zengcheng Wanda Plaza Co., Ltd.	广州增城万达广场有限公司	PRC/Mainland China 12 March 2012	250,000	100%	-	Property leasing
Dongguan Dongcheng Wanda Plaza Investment Co., Ltd.	东莞东城万达广场投资有限公司	PRC/Mainland China 9 May 2012	500,000	100%	-	Property development
Foshan Nanhai Wanda Plaza Co., Ltd.	佛山南海万达广场有限公司	PRC/Mainland China 24 May 2012	600,000	100%	-	Property development
Manzhouli Wanda Plaza Co., Ltd.	满洲里万达广场有限公司	PRC/Mainland China 30 May 2012	150,000	100%	-	Property leasing
Yinchuan Wanda Plaza Commercial Development Co., Ltd.	银川万达广场商业发展有限公司	PRC/Mainland China 19 June 2012	100,000	100%	-	Property leasing
Yinchuan Xixia Wanda Plaza Co., Ltd.	银川西夏万达广场有限公司	PRC/Mainland China 20 June 2012	500,000	100%	-	Property development
Jinhua Wanda Plaza Investment Co., Ltd.	金华万达广场投资有限公司	PRC/Mainland China 17 August 2012	100,000	100%	-	Property leasing
Nanning Qingxiu Wanda Plaza Investment Co., Ltd.	南宁青秀万达广场投资有限公司	PRC/Mainland China 14 September 2012	50,000	100%	-	Property development
Ma'anshan Wanda Plaza Investment Co., Ltd.	马鞍山万达广场投资有限公司	PRC/Mainland China 19 September 2012	40,000	100%	-	Property development
Changzhou Wujin Wanda Plaza Investment Co., Ltd.	常州武进万达广场投资有限公司	PRC/Mainland China 21 September 2012	50,000	100%	-	Property development
Shanghai Wanda Hotel Investment Co., Ltd.	上海万达酒店投资有限公司	PRC/Mainland China 9 October 2012	50,000	100%	-	Hotel operation
Longyan Wanda Plaza Investment Co., Ltd.	龙岩万达广场投资有限公司	PRC/Mainland China 2 November 2012	50,000	100%	-	Property development
Wanda Hotel Design and Research Institute Co., Ltd.	万达酒店设计研究院有限公司	PRC/Mainland China 9 November 2012	50,000	100%	-	Decoration and research design management
Tianjin Pilot Free Trade Zone Wanda Property Co., Ltd.	天津自贸区万达置业有限公司	PRC/Mainland China 28 November 2012	200,000	85%	-	Property development
Yingkou Wanda Plaza Investment Co., Ltd.	营口万达广场投资有限公司	PRC/Mainland China 3 December 2012	45,000	100%	-	Property development
Qiqihar Wanda Plaza Investment Co., Ltd.	齐齐哈尔万达广场投资有限公司	PRC/Mainland China 6 December 2012	50,000	100%	-	Property development
Fuqing Wanda Plaza Co., Ltd.	福清万达广场有限公司	PRC/Mainland China 18 December 2012	50,000	100%	-	Property leasing
Jingzhou Wanda Plaza Development Co., Ltd.	荆州万达广场发展有限公司	PRC/Mainland China 21 December 2012	600,000	100%	-	Property leasing
Jiangmen Wanda Plaza Investment Co., Ltd.	江门万达广场投资有限公司	PRC/Mainland China 22 January 2013	50,000	100%	-	Property development
Wenzhou Pingyang Wanda Plaza Investment Co., Ltd.	温州平阳万达广场投资有限公司	PRC/Mainland China 1 March 2013	600,000	100%	-	Property development
Anyang Wanda Plaza Investment Co., Ltd.	安阳万达广场投资有限公司	PRC/Mainland China 4 March 2013	50,000	100%	-	Property leasing
Hangzhou Gongshu Wanda Investment Co., Ltd.	杭州拱墅万达投资有限公司	PRC/Mainland China 22 March 2013	10,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shanghai Jinshan Wanda Plaza Investment Co., Ltd.	上海金山万达广场投资有限公司	PRC/Mainland China 2 April 2013	50,000	100%	-	Property development
Zhengzhou Jinshui Wanda Investment Co., Ltd.	郑州金水万达投资有限公司	PRC/Mainland China 18 April 2013	60,010	100%	-	Property development
Jixi Wanda Plaza Investment Co., Ltd.	鸡西万达广场投资有限公司	PRC/Mainland China 24 April 2013	50,000	100%	-	Property development
Guangyuan Wanda Plaza Investment Co., Ltd.	广元万达广场投资有限公司	PRC/Mainland China 2 May 2013	500,000	100%	-	Property development
Weinan Wanda Plaza Investment Co., Ltd.	渭南万达广场投资有限公司	PRC/Mainland China 29 May 2013	300,000	100%	-	Property development
Dongying Dalian Wanda Plaza Investment Co., Ltd.	东营大连万达广场投资有限公司	PRC/Mainland China 3 June 2013	50,000	100%	-	Property development
Jiaxing Wanda Plaza Investment Co., Ltd.	嘉兴万达广场投资有限公司	PRC/Mainland China 3 June 2013	800,000	100%	-	Property development
Xining Wanda Plaza Investment Co., Ltd.	西宁万达广场投资有限公司	PRC/Mainland China 17 June 2013	50,000	100%	-	Property development
Tai'an Wanda Plaza Investment Co., Ltd.	泰安万达广场投资有限公司	PRC/Mainland China 19 June 2013	40,000	100%	-	Property development
Dezhou Wanda Plaza Investment Co., Ltd.	德州万达广场投资有限公司	PRC/Mainland China 20 June 2013	50,000	100%	-	Property development
Neijiang Wanda Plaza Investment Co., Ltd.	内江万达广场投资有限公司	PRC/Mainland China 1 July 2013	50,000	100%	-	Property development
Huangshi Wanda Plaza Investment Co., Ltd.	黄石万达广场投资有限公司	PRC/Mainland China 2 July 2013	700,000	100%	-	Property development
Guangzhou Luogang Wanda Plaza Co., Ltd.	广州萝岗万达广场有限公司	PRC/Mainland China 25 July 2013	800,000	100%	-	Property leasing
Siping Wanda Plaza Investment Co., Ltd.	四平万达广场投资有限公司	PRC/Mainland China 6 August 2013	50,000	100%	-	Property development
Zhanjiang Development Zone Wanda Plaza Investment Co., Ltd.	湛江开发区万达广场投资有限公司	PRC/Mainland China 2 September 2013	800,000	100%	-	Property development
Chongqing Wanda Plaza Property Co., Ltd.	重庆万达广场置业有限公司	PRC/Mainland China 3 September 2013	700,000	100%	-	Property development
Dongguan Houjie Wanda Plaza Investment Co., Ltd.	东莞厚街万达广场投资有限公司	PRC/Mainland China 5 September 2013	50,000	100%	-	Property development
Fuyang Wanda Plaza Investment Co., Ltd.	阜阳万达广场投资有限公司	PRC/Mainland China 9 September 2013	50,000	100%	-	Property leasing
Liuzhou Wanda Plaza Investment Co., Ltd.	柳州万达广场投资有限公司	PRC/Mainland China 23 September 2013	100,000	100%	-	Property development
Zhangzhou Taiwanese Investment Zone Wanda Plaza Investment Co., Ltd.	漳州台商投资区万达广场投资有限公司	PRC/Mainland China 18 October 2013	50,000	100%	-	Property development
Suzhou Wuzhong Wanda Plaza Investment Co., Ltd.	苏州吴中万达广场投资有限公司	PRC/Mainland China 27 November 2013	100,000	100%	-	Property development
Urumqi Wanda Plaza Investment Co., Ltd.	乌鲁木齐万达广场投资有限公司	PRC/Mainland China 3 December 2013	50,000	100%	-	Property development
Bozhou Wanda Plaza Investment Co., Ltd.	亳州万达广场投资有限公司	PRC/Mainland China 16 December 2013	500,000	100%	-	Property development
Taizhou Jingkai Wanda Property Co., Ltd.	台州经开万达置业有限公司	PRC/Mainland China 16 December 2013	700,000	100%	-	Property leasing
Nanning Anji Wanda Plaza Investment Co., Ltd.	南宁安吉万达广场投资有限公司	PRC/Mainland China 17 December 2013	50,000	100%	-	Property development
Chengdu Wanda Hotel Investment Co., Ltd.	成都万达酒店投资有限公司	PRC/Mainland China 23 December 2013	50,000	100%	-	Property development and hotel operation
Nantong Wanda Plaza Co., Ltd.	南通万达广场有限公司	PRC/Mainland China 23 December 2013	700,000	100%	-	Property development

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Jingmen Wanda Plaza Investment Co., Ltd.	荆门万达广场投资有限公司	PRC/Mainland China 2 January 2014	400,000	100%	-	Property development
Guangzhou Nansha Wanda Plaza Co., Ltd.	广州南沙万达广场有限公司	PRC/Mainland China 22 January 2014	900,000	100%	-	Property leasing
Yiwu Wanda Plaza Investment Co., Ltd.	义乌万达广场投资有限公司	PRC/Mainland China 23 January 2014	100,000	100%	-	Property development
Shangrao Wanda Plaza Investment Co., Ltd.	上饶万达广场投资有限公司	PRC/Mainland China 14 March 2014	50,000	100%	-	Property development
Jinan Gaoxin Wanda Plaza Property Co., Ltd.	济南高新万达广场置业有限公司	PRC/Mainland China 14 March 2014	50,000	100%	-	Property development
Mudanjiang Wanda Plaza Investment Co., Ltd.	牡丹江万达广场投资有限公司	PRC/Mainland China 17 March 2014	50,000	100%	-	Property development
Suzhou Wanda Plaza Investment Co., Ltd.	宿州万达广场投资有限公司	PRC/Mainland China 21 March 2014	500,000	100%	-	Property development
Dongguan Humen Wanda Plaza Investment Co., Ltd.	东莞虎门万达广场投资有限公司	PRC/Mainland China 15 May 2014	50,000	100%	-	Property development
Hohhot Wanda Plaza Property Co., Ltd.	呼和浩特万达广场置业有限公司	PRC/Mainland China 15 May 2014	50,000	100%	-	Property development
Yanji Wanda Plaza Investment Co., Ltd.	延吉万达广场投资有限公司	PRC/Mainland China 29 May 2014	400,000	100%	-	Property development
Xuzhou Wanda Plaza Property Co., Ltd.	徐州万达广场置业有限公司	PRC/Mainland China 11 June 2014	50,000	100%	-	Property development
Suining Wanda Plaza Investment Co., Ltd.	遂宁万达广场投资有限公司	PRC/Mainland China 13 June 2014	300,000	100%	-	Property development
Hefei Yaohai Wanda Plaza Investment Co., Ltd.	合肥瑶海万达广场投资有限公司	PRC/Mainland China 25 June 2014	100,000	100%	-	Property development
Kunshan Wanda Plaza Investment Co., Ltd.	昆山万达广场投资有限公司	PRC/Mainland China 3 July 2014	100,000	100%	-	Property development
Changshu Wanda Commercial Plaza Co., Ltd.	常熟万达商业广场有限公司	PRC/Mainland China 7 July 2014	100,000	100%	-	Property development
Zhuji Wanda Plaza Investment Co., Ltd.	诸暨万达广场投资有限公司	PRC/Mainland China 13 August 2014	1,000,000	100%	-	Property development
Shanghai Qingpu Wanda Mall Investment Co., Ltd.	上海青浦万达茂投资有限公司	PRC/Mainland China 23 September 2014	100,000	100%	-	Property development
Nanjing Wanda Mall Investment Co., Ltd.	南京万达茂投资有限公司	PRC/Mainland China 24 December 2014	100,000	100%	-	Property development
Changchun Wanda Center Investment Co., Ltd.	长春万达中心投资有限公司	PRC/Mainland China 19 January 2015	30,000	100%	-	Property development
Nanping Wanda Plaza Investment Co., Ltd.	南平万达广场投资有限公司	PRC/Mainland China 4 February 2015	100,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Chengdu Qingyang Wanda Plaza Investment Co., Ltd.	成都青羊万达广场投资有限公司	PRC/Mainland China 5 February 2015	500,000	100%	-	Property development
Beijing Fengke Wanda Plaza Investment Co., Ltd.	北京丰科万达广场有限公司	PRC/Mainland China 9 March 2015	1,000,000	100%	-	Property development
Sanmenxia Wanda Plaza Investment Co., Ltd.	三门峡万达广场投资有限公司	PRC/Mainland China 12 March 2015	248,000	100%***	-	Property leasing
Wanda (Shanghai) Equity Investment Fund Management Co., Ltd.	万达(上海)股权投资基金管理有限公司	PRC/Mainland China 18 March 2015	10,000	100%	-	Investment management
Zhengzhou Biyuan Wanda Plaza Investment Co., Ltd.	郑州碧源万达广场投资有限公司	PRC/Mainland China 19 March 2015	395,000	100%***	-	Property leasing
Yichun Wanda Plaza Investment Co., Ltd.	宜春万达广场投资有限公司	PRC/Mainland China 23 March 2015	182,010	100%***	-	Property leasing
Meizhou Wanda Real Estate Co., Ltd.	梅州万达地产有限公司	PRC/Mainland China 30 March 2015	277,010	100%***	-	Property leasing
Sanming Wanda Plaza Investment Co., Ltd.	三明万达广场投资有限公司	PRC/Mainland China 8 April 2015	230,010	-	-***	Property leasing
Dalian Wanda Commercial Co., Ltd.	大连万达商业有限公司	PRC/Mainland China 14 April 2015	10,000	100%	-	Property leasing
Deyang Wanda Plaza Industrial Co., Ltd.	德阳万达广场实业有限公司	PRC/Mainland China 17 April 2015	185,000	100%***	-	Property leasing
Foshan Sanshui Wanda Property Co., Ltd.	佛山三水万达置业有限公司	PRC/Mainland China 22 April 2015	295,011	-	-***	Property leasing
Chongqing Yongchuan Wanda Plaza Business Services Co., Ltd.	重庆市永川区万达广场商务服务有限公司	PRC/Mainland China 23 April 2015	203,000	100%***	-	Property leasing
Lianyungang Wanda Plaza Investment Co., Ltd.	连云港万达广场投资有限公司	PRC/Mainland China 4 May 2015	255,000	-	-***	Property leasing
Leshan Wanda Plaza Industrial Co., Ltd.	乐山万达广场实业有限公司	PRC/Mainland China 5 May 2015	188,010	100%***	-	Property leasing
Changde Wanda Property Co., Ltd.	常德万达置业有限公司	PRC/Mainland China 5 May 2015	226,000	100%***	-	Property leasing
Nanning Jiangnan Wanda Plaza Investment Co., Ltd.	南宁江南万达广场投资有限公司	PRC/Mainland China 20 May 2015	100,000	100%	-	Property development
Yingkou Bayuquan Wanda Plaza Investment Co., Ltd.	营口鲅鱼圈万达广场投资有限公司	PRC/Mainland China 27 May 2015	196,000	-	-***	Property leasing
Shaoxing Shangyu Wanda Plaza Business Services Co., Ltd.	绍兴上虞万达广场商务服务有限公司	PRC/Mainland China 2 June 2015	211,000	100%***	-	Property leasing
Lu'an Wanda Real Estate Co., Ltd.	六安万达地产有限公司	PRC/Mainland China 3 June 2015	50,000	100%	-	Property development
Lu'an Wanda Plaza Investment Co., Ltd.	六安万达广场投资有限公司	PRC/Mainland China 3 June 2015	230,001	-	-***	Property leasing
Yantai Wanda Plaza Investment Co., Ltd.	烟台万达广场投资有限公司	PRC/Mainland China 3 June 2015	233,000	-	-***	Property leasing
Chengdu Shuangliu Wanda Plaza Investment Co., Ltd.	成都双流万达广场投资有限公司	PRC/Mainland China 3 June 2015	269,020	100%***	-	Property leasing
Binzhou Wanda Plaza Investment Co., Ltd.	滨州万达广场投资有限公司	PRC/Mainland China 23 June 2015	210,000	-	-***	Property leasing
Fuyang Yingquan Wanda Plaza Investment Co., Ltd.	阜阳颍泉万达广场投资有限公司	PRC/Mainland China 25 June 2015	240,000	-	-***	Property leasing
Huzhou Wanda Investment Co., Ltd.	湖州万达投资有限公司	PRC/Mainland China 25 June 2015	250,001	-	-***	Property leasing
Haikou Wanda Plaza Investment Co., Ltd.	海口万达广场投资有限公司	PRC/Mainland China 29 June 2015	265,000	-	-***	Property leasing
Chaoyang Wanda Plaza Investment Co., Ltd.	朝阳万达广场投资有限公司	PRC/Mainland China 10 July 2015	10,000	100%	-	Property leasing
Qingyuan Qingcheng Wanda Plaza Co., Ltd.	清远清城万达广场有限公司	PRC/Mainland China 31 July 2015	10,000	100%	-	Property leasing
Jilin Changyi Wanda Plaza Investment Co., Ltd.	吉林昌邑万达广场投资有限公司	PRC/Mainland China 21 August 2015	173,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Yangzhou Wanda Commercial Plaza Co., Ltd.	扬州万达商业广场有限公司	PRC/Mainland China 27 August 2015	50,000	100%	-	Property development
Tongling Wanda Plaza Investment Co., Ltd.	铜陵万达广场投资有限公司	PRC/Mainland China 27 August 2015	10,000	100%	-	Property leasing
Xi'an Gaoxin Wanda Plaza Co., Ltd.	西安高新万达广场有限公司	PRC/Mainland China 15 September 2015	50,000	100%	-	Property development
Dalian Pulandian Wanda Plaza Investment Co., Ltd.	大连普兰店万达广场投资有限公司	PRC/Mainland China 12 October 2015	10,000	100%	-	Property leasing
Dalian Zhuanghe Wanda Plaza Investment Co., Ltd.	大连庄河万达广场投资有限公司	PRC/Mainland China 16 November 2015	10,000	100%	-	Property leasing
Jinzhou Wanda Plaza Investment Co., Ltd.	锦州万达广场投资有限公司	PRC/Mainland China 20 November 2015	10,000	100%	-	Property leasing
Chongqing Qijiang Wanda Industrial Co., Ltd.	重庆綦江万达实业有限公司	PRC/Mainland China 25 November 2015	10,000	100%	-	Property leasing
Baotou Jiuyuan Wanda Plaza Investment Co., Ltd.	包头九原万达广场投资有限公司	PRC/Mainland China 30 November 2015	10,000	100%	-	Property leasing
Dongying Wanda Commercial Operation Management Co., Ltd.	东营万达商业运营管理有限公司	PRC/Mainland China 26 November 2015	31,000	100%	-	Property leasing
Chongqing Beibei Wanda Industrial Co., Ltd.	重庆北碚万达实业有限公司	PRC/Mainland China 24 December 2015	10,000	100%	-	Property leasing
Guiyang Wanda Investment Co., Ltd.	贵阳万达投资有限公司	PRC/Mainland China 11 January 2016	10,000	100%	-	Property leasing
Jinzhong Wanda Business Services Co., Ltd.	晋中万达商务服务有限公司	PRC/Mainland China 14 January 2016	10,000	100%	-	Property leasing
Foshan Jinshazhou Wanda Plaza Investment Co., Ltd.	佛山金沙洲万达广场投资有限公司	PRC/Mainland China 15 January 2016	10,000	100%	-	Property leasing
Qujing Wanda Plaza Investment Co., Ltd.	曲靖万达广场投资有限公司	PRC/Mainland China 19 January 2016	10,000	100%	-	Property leasing
Huizhou Dayawan Wanda Plaza Investment Co., Ltd.	惠州大亚湾万达广场投资有限公司	PRC/Mainland China 25 January 2016	10,000	100%	-	Property leasing
Jiuquan Wanda Plaza Investment Co., Ltd.	酒泉万达广场投资有限公司	PRC/Mainland China 1 February 2016	10,000	100%	-	Property leasing
Shanghai Zhuanqiao Wanda Plaza Investment Co., Ltd.	上海颛桥万达广场投资有限公司	PRC/Mainland China 2 February 2016	10,000	100%	-	Property leasing
Shouguang Wanda Plaza Investment Co., Ltd.	寿光万达广场投资有限公司	PRC/Mainland China 22 February 2016	10,000	100%	-	Property leasing
Hengyang Wanda Plaza Property Co., Ltd.	衡阳万达广场置业有限公司	PRC/Mainland China 25 February 2016	10,000	100%	-	Property leasing
Changzhou Liyang Wanda Plaza Investment Co., Ltd.	常州溧阳万达广场投资有限公司	PRC/Mainland China 9 March 2016	10,000	100%	-	Property leasing
Liupanshui Wanda Plaza Investment Co., Ltd.	六盘水万达广场投资有限公司	PRC/Mainland China 11 March 2016	10,000	100%	-	Property leasing
Fuxin Wanda Plaza Investment Co., Ltd.	阜新万达广场投资有限公司	PRC/Mainland China 14 March 2016	10,000	100%	-	Property leasing
Xuancheng Wanda Plaza Investment Co., Ltd.	宣城万达广场投资有限公司	PRC/Mainland China 15 March 2016	10,000	100%	-	Property leasing
Hebi Wanda Industrial Co., Ltd.	鹤壁万达实业有限公司	PRC/Mainland China 28 March 2016	10,000	100%	-	Property leasing
Shizuishan Wanda Plaza Investment Co., Ltd.	石嘴山万达广场投资有限公司	PRC/Mainland China 1 April 2016	10,000	100%	-	Property leasing
Shangqiu Wanda Plaza Investment Co., Ltd.	商丘万达广场投资有限公司	PRC/Mainland China 26 May 2016	10,000	100%	-	Property leasing
Hangzhou Yuhang Wanda Plaza Property Co., Ltd.	杭州余杭万达广场置业有限公司	PRC/Mainland China 8 June 2016	10,000	100%	-	Property leasing
Huanggang Wanda Plaza Property Co., Ltd.	黄冈万达广场置业有限公司	PRC/Mainland China 22 June 2016	100,000	100%	-	Property leasing
Huaibei Wanda Plaza Investment Co., Ltd.	淮北万达广场投资有限公司	PRC/Mainland China 21 September 2016	10,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Luzhou Wanda Plaza Property Co., Ltd.	泸州万达广场置业有限公司	PRC/Mainland China 28 October 2016	10,000	100%	-	Property leasing
Chongqing Dadukou Wanda Industrial Co., Ltd.	重庆大渡口万达实业有限公司	PRC/Mainland China 22 November 2016	10,000	100%	-	Property leasing
Guangzhou Xintang Wanda Plaza Investment Co., Ltd.	广州新塘万达广场投资有限公司	PRC/Mainland China 7 December 2016	100,000	100%	-	Property leasing
Meishan Wanda Plaza Property Co., Ltd.	眉山万达广场置业有限公司	PRC/Mainland China 12 December 2016	10,000	100%	-	Property leasing
Chongqing Shapingba Wanda Industrial Co., Ltd.	重庆沙坪坝万达实业有限公司	PRC/Mainland China 23 December 2016	10,000	100%	-	Property leasing
Jiangmen Wanda Commercial Co., Ltd.	江门万达商业有限公司	PRC/Mainland China 5 January 2017	10,000	100%	-	Property leasing
Xuchang Wanda Plaza Industrial Co., Ltd.	许昌万达广场实业有限公司	PRC/Mainland China 16 January 2017	10,000	100%	-	Property leasing
Chaohu Wanda Plaza Investment Co., Ltd.	巢湖万达广场投资有限公司	PRC/Mainland China 6 March 2017	10,000	100%	-	Property leasing
Yulin Wanda Plaza Investment Co., Ltd.	玉林万达广场投资有限公司	PRC/Mainland China 7 March 2017	10,000	100%	-	Property leasing
Xingtai Wanda Plaza Construction and Development Co., Ltd.	邢台万达广场建设发展有限公司	PRC/Mainland China 15 March 2017	10,000	100%	-	Property leasing
Urumqi Wanda Plaza Real Estate and Property Co., Ltd.	乌鲁木齐万达广场房地产置业有限公司	PRC/Mainland China 17 March 2017	20,000	100%	-	Property leasing
Wuwei Wanda Plaza Property Co., Ltd.	武威万达广场置业有限公司	PRC/Mainland China 20 March 2017	10,000	100%	-	Property leasing
Yuncheng Wanda Commercial complex Management Co., Ltd.	运城万达商业综合体管理有限公司	PRC/Mainland China 22 March 2017	10,000	100%	-	Property leasing
Suqian Wanda Plaza Investment Co., Ltd.	宿迁万达广场投资有限公司	PRC/Mainland China 28 March 2017	10,000	100%	-	Property leasing
Chengdu Longquanyi Wanda Plaza Property Co., Ltd.	成都龙泉驿万达广场置业有限公司	PRC/Mainland China 1 April 2017	10,000	100%	-	Property leasing
Nanchang Qingshanhu Wanda Plaza Property Co., Ltd.	南昌青山湖万达广场置业有限公司	PRC/Mainland China 27 April 2017	50,000	100%	-	Property leasing
Yibin Wanda Plaza Business Services Co., Ltd.	宜宾万达广场商业服务有限公司	PRC/Mainland China 16 May 2017	10,000	100%	-	Property leasing
Yulin Wanda Plaza Property Co., Ltd.	榆林万达广场置业有限公司	PRC/Mainland China 5 June 2017	10,000	100%	-	Property leasing
Guigang Wanda Plaza Commercial Co., Ltd.	贵港万达广场商业有限公司	PRC/Mainland China 10 July 2017	10,000	100%	-	Property leasing
Shangluo Wanda Plaza Property Co., Ltd.	商洛万达广场置业有限公司	PRC/Mainland China 3 August 2017	10,000	100%	-	Property leasing
Shantou Wanda Plaza Investment Co., Ltd.	汕头万达广场投资有限公司	PRC/Mainland China 13 June 2017	300,000	100%	-	Property leasing
Sanya Wanfu Hotel Management Co., Ltd.	三亚万富酒店管理有限公司	PRC/Mainland China 13 September 2017	10,000	100%	-	Hotel operation
Longyan Wanli Hotel Management Co., Ltd	龙岩万力酒店管理有限公司	PRC/Mainland China 11 September 2017	372,259	100%	-	Hotel management service
Zhangzhou Wanfu Hotel Management Co., Ltd.	漳州万富酒店管理有限公司	PRC/Mainland China 14 September 2017	10,000	100%	-	Hotel operation
Panzhihua Wanda Plaza Property Co., Ltd.	攀枝花万达广场置业有限公司	PRC/Mainland China 10 November 2017	10,000	100%	-	Property leasing
Anshan Wanda Plaza Property Co., Ltd.	鞍山万达广场置业有限公司	PRC/Mainland China 13 December 2017	10,000	100%	-	Property leasing
Chongqing Fuling Wanda Industrial Co., Ltd.	重庆涪陵万达实业有限公司	PRC/Mainland China 18 December 2017	10,000	100%	-	Property leasing
Chuzhou Wanda Plaza Investment Co., Ltd.	滁州万达广场投资有限公司	PRC/Mainland China 2 January 2018	10,000	100%	-	Property leasing
Shanghai Puxing Wanda Plaza Commercial Management Co., Ltd.	上海浦星万达广场商业管理有限公司	PRC/Mainland China 23 April 2018	50,000	100%	-	Commercial management

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Shenyang Quanyun Wanda Plaza Property Co., Ltd.	沈阳全运万达广场置业有限公司	PRC/Mainland China 23 July 2018	10,000	100%	-	Property leasing
Wuhan Dongsha Wanda Commercial Management Co., Ltd.	武汉东沙万达商业管理有限公司	PRC/Mainland China 12 Sep 2018	10,000	100%	-	Property leasing
Changchun Qikai Wanda Industrial Co., Ltd.	长春汽开万达实业有限公司	PRC/Mainland China 18 Sep 2018	40,000	100%	-	Property leasing
Ziyang Wanda Industrial Co., Ltd.	资阳万达实业有限公司	PRC/Mainland China 20 Sep 2018	100,000	100%	-	Property leasing
Taiyuan Wanda Commercial Co., Ltd.	太原万达商业有限公司	PRC/Mainland China 27 Sep 2018	90,000	100%	-	Property leasing
Guilin Wangui Property Co., Ltd.	桂林万桂置业有限公司	PRC/Mainland China 29 Sep 2018	50,000	100%	-	Property leasing
Dalian Jingkai Wanda Business Management Co., Ltd.	大连经开万达企业管理有限公司	PRC/Mainland China 10 Oct 2018	100,000	100%	-	Business management
Hefei Beicheng Wanda Plaza Investment Co., Ltd.	合肥北城万达广场投资有限公司	PRC/Mainland China 25 Oct 2018	10,000	100%	-	Property leasing
Haian Wanda Real Estate Property Co., Ltd.	海安万达地产置业有限公司	PRC/Mainland China 5 Nov 2018	50,000	100%	-	Property leasing
Xiangtan Wanda Commercial Management Co., Ltd.	湘潭万达商业管理有限公司	PRC/Mainland China 6 Nov 2018	40,000	100%	-	Property leasing
Chengdu Pidu Wanda Plaza Management Co., Ltd.	成都郫都万达广场管理有限公司	PRC/Mainland China 14 Nov 2018	100,000	100%	-	Property leasing
Nanjing Lishui Wanda Commercial Co., Ltd.	南京溧水万达商业有限公司	PRC/Mainland China 3 Dec 2018	50,000	100%	-	Property leasing
Beijing Jingyan Wanda Commercial Management Co., Ltd.	北京京延万达商业管理有限公司	PRC/Mainland China 4 Dec 2018	100,000	100%	-	Property leasing
Mianyang Jingkai Wanda Industrial Co., Ltd.	绵阳经开万达实业有限公司	PRC/Mainland China 2 January 2019	100,000	100%	-	Property leasing
Yangzhou Wanda Western New District Commercial Plaza Co., Ltd.	扬州西区新城万达商业广场有限公司	PRC/Mainland China 17 January 2019	10,000	100%	-	Property leasing
Wuxi Xinwu Wanda Plaza Co., Ltd.	无锡新吴万达广场有限公司	PRC/Mainland China 28 January 2019	50,000	100%	-	Property leasing
Jiamusi Wanda Industrial Co., Ltd.	佳木斯万达实业有限公司	PRC/Mainland China 1 February 2019	100,000	100%	-	Property leasing
Tongliao Wanda Industrial Co., Ltd.	通辽万达实业有限公司	PRC/Mainland China 18 February 2019	500,000	100%	-	Property leasing
Anxi Wanda Industrial Co., Ltd.	安溪万达实业有限公司	PRC/Mainland China 21 February 2019	100,000	100%	-	Property leasing
Nanning Wanda Commercial Co., Ltd.	南宁万达商业有限公司	PRC/Mainland China 12 March 2019	900,000	100%	-	Commercial management
Tianjin Wuqing District Wanda Commercial Co., Ltd.	天津武清区万达商业有限公司	PRC/Mainland China 15 March 2019	10,000	100%	-	Property leasing
Harbin Hanan Wanda Industrial Co., Ltd..	哈尔滨哈南万达商业有限公司	PRC/Mainland China 18 March 2019	10,000	100%	-	Property leasing
Shanghai Maqiao Wanda Commercial Management Co., Ltd.	上海马桥万达商业管理有限公司	PRC/Mainland China 18 March 2019	10,000	100%	-	Property leasing
Zhoukou Wanda Commercial Co., Ltd.	周口万达商业有限公司	PRC/Mainland China 27 March 2019	10,000	100%	-	Property leasing
Wuhai Wanda. Industrial Co., Ltd.	乌海万达实业有限公司	PRC/Mainland China 9 April 2019	100,000	100%	-	Property leasing
Ulanqab Wanda Real Estate Development Co., Ltd.	乌兰察布万达地产发展有限公司	PRC/Mainland China 28 May 2019	50,000	100%	-	Property leasing
Kunming Wanda. Industrial Co., Ltd.	昆明万达实业有限公司	PRC/Mainland China 12 June 2019	40,000	100%	-	Property leasing
Bengbu Huaishang District Wanda Commercial Management and Operation Co., Ltd.	蚌埠市淮上区万达商业管理运营有限公司	PRC/Mainland China 26 June 2019	10,000	100%	-	Property leasing

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows (continued):

English name	Chinese name	Place and date of incorporation/ registration and business	Issued ordinary/ registered share capital RMB'000	Percentage of equity attributable to the Company as at 31 December 2019 Direct	Indirect	Principal activities
Tianjin Dongli District Wanda Commercial Service Co., Ltd.	天津东丽区万达商务服务有限公司	PRC/Mainland China 16 July 2019	10,000	100%	-	Property development
Changchun Wanfu Hotel Management Co., Ltd.	长春万富酒店管理有限公司	PRC/Mainland China 16 July 2019	697,172	100%	-	Hotel management service
Tianshui Wanda Business Services Co., Ltd.	天水万达商业服务有限公司	PRC/Mainland China 22 July 2019	10,000	100%	-	Property leasing
Ankang Gaoxin Wanda Property Co., Ltd.	安康高新万达置业有限公司	PRC/Mainland China 9 August 2019	10,000	100%	-	Property leasing
Bozhou Qiaocheng District Wanda Plaza Co., Ltd.	亳州市谯城区万达广场有限公司	PRC/Mainland China 22 August 2019	10,000	100%	-	Property leasing
Weihai Wanda Commercial Co., Ltd.	威海万达商业有限公司	PRC/Mainland China 6 September 2019	10,000	100%	-	Property leasing
Chengdu Qingbaijiang Wanda Plaza Management Co., Ltd.	成都青白江万达广场管理有限公司	PRC/Mainland China 10 October 2019	100,000	100%	-	Property leasing
Zigong Wangong Business Services Co., Ltd.	自贡万贡商业服务有限公司	PRC/Mainland China 28 October 2019	10,000	100%	-	Property leasing
Wanda Hotel Development Company Limited	万达酒店发展有限公司	Be rmuda 2 November 2000	-**	-	65%	Investment holding
Sunseeker International (Holdings) Limited*		The United Kingdom 23 August 2006	GBP100,000	-	94%	Investment management
Wanda Commercial Properties (Hong Kong) Co., Ltd.	万达商业地产(香港)有限公司	Hong Kong 6 February 2013	-**	100%	-	Hotel management service
Wanda Yacht Investment (Jersey) Company Limited	万达游艇投资控股(泽西岛)有限公司	The United Kingdom 23 May 2013	-**	100%	-	Investment management

* Certain of the Group's interests in these entities have been pledged as collateral for bank borrowings (note 31).
** The share capital of these subsidiaries is presented as zero rounded to the nearest thousand.

<u>Information about subsidiaries</u> (continued)

***During 2015 and 2016, the Company entered into the Equity Transfer Agreements and the Light Asset Cooperation Framework Agreements (the "Light Assets Agreements") with Tianjin Wanda Wenkang Management Partnership (limited partnership) ("Wanda Wenkang"), Wanda Wenxin (Shanghai) Investment Partnership ("Wanda Wenxin"), Wanda Wensheng (Shanghai) Investment Partnership ("Wanda Wensheng") and Wanda Wenyu (Shanghai) Investment Partnership ("Wanda Wenyu") respectively. Wanda Wenkang, Wanda Wenxin, Wanda Wensheng and Wanda Wenyu are all established in the PRC with limited liability. The general partner of Wanda Wenkang is Wanda (Shanghai) Equity Investment Fund Management Co., Ltd. ("Wanda Equity Fund"), a limited liability company established in the PRC with a 100% equity interest held by the Company. The general partner of Wanda Wenxin is Kuaiqian (Tianjin) Financial Service Co., Ltd. ("Kuaiqian Financial"), a limited liability company established in the PRC with a 68.7% equity interest held by Mr. Wang Jianlin.

Pursuant to the Light Assets Agreements, (i) the Company had agreed to transfer the equity interests of its five wholly-owned subsidiaries (the "Project Companies") to each of Wanda Wenkang, Wanda Wenxin, Wanda Wensheng and Wanda Wenyu; (ii) the Company had agreed to provide construction management and operation management services and license certain intellectual property rights to Wanda Wenkang, Wanda Wenxin, Wanda Wensheng and Wanda Wenyu and the Project Companies; (iii) in consideration of these services, the Company will receive fees of 30% of the net property income (which is the gross property income generated from the operation of the Project Companies minus reasonable costs and expenses) generated by the Project Companies each quarter after the commencement of operation; and (iv) Wanda Wenkang, Wanda Wenxin, Wanda Wensheng and Wanda Wenyu had agreed to provide funds to the Project Companies for the construction and operation of the Wanda Plazas under the Project Companies.

Pursuant to the Light Assets Agreements, the Company shall (i) have the absolute, exclusive and irrevocable right in the construction management and operation management of the Project Companies; and (ii) have the right to appoint all senior management of the Project Companies. In this regard, the Company has the rights to variable returns and retains control over the Project Companies. As a result, the Project Companies were still accounted for in the consolidated financial statements of the Group as the Group's subsidiaries. As at the end of the year of 2016, there had been equity interests of a total of 20 Project Companies transferred out from the Group under the Light Asset Cooperation Framework Agreements. During the current year, there was no additional Project Company transferred.

During the current year, Wanda Wensheng, Wanda Wenkang and Wanda Wenxin withdrew funds totalling RMB2,400 million from the Project Companies. During the current year, the Project Companies paid dividends totalling RMB591 million to Wanda Wensheng, Wanda Wenkang and Wanda Wenxin.

In order to meet operation needs, the Group acquired 100% equity interests in Deyang Wanda Plaza Industrial Co., Ltd., Chongqing Yongchuan Wanda Plaza Real Estate Co., Ltd., Leshan Wanda Plaza Industrial Co., Ltd., Shuangliu Wanda Plaza Investment Co., Ltd. and Shaoxing Shangyu Wanda Plaza Property Co., Ltd., from Wanda Wenyu and Kuaiqian Financial on 26 September 2018. The purchase consideration for the acquisition was in the form of cash, with RMB1,591 million paid on 30 September 2018. The Group acquired 100% equity interests in Changde Wanda Property Co., Ltd., Meizhou Wanda Real Estate Co., Ltd., Sanmenxia Wanda Plaza Investment Co., Ltd., Yichun Wanda Plaza Investment Co., Ltd. and Zhengzhou Biyuan Wanda Plaza Investment Co., Ltd., from Wanda Wensheng and Kuaiqian Financial on 26 August 2019. The purchase consideration for the acquisition was in the form of cash, with RMB2,421 million paid on 26 August 2019. In addition, the Company has agreed to repay shareholder loans and entrusted loans, amounting to RMB2,421 million, on behalf of the Project Companies.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars excessive length.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) the contractual arrangement with the other vote holders of the investee;
b) rights arising from other contractual arrangements; and
c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

For the business combination under common control, the financial information of the Group and the acquired businesses have been combined, as if the Group acquired such businesses from the beginning of the earliest financial period presented. The net assets of the Group and the acquired business are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of the Group's interest in the net fair value of the acquired business's identifiable assets, liabilities and contingent liabilities over the cost of acquisition at the time of common control combination. The difference between the consolidation and book value of the acquired business at the time of common control combination is deducted into the reserves of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 BASIS OF PREPARATION (continued)

Pursuant to agreements entered into between the Company and its related party, Wanda Real Estate Group Co., Ltd. ("Wanda Real Estate") and Wanda Real Estate's subsidiary in 2019, the Company has agreed to acquire the entire equity interests of the subsidiaries, Guilin Wangui Property Co., Ltd. ("Guilin Wangui"), Hai'an Wanda Real Estate and Property Co., Ltd. ("Hai'an Wanda"), Zhoukou Wanda Commercial Co., Ltd. ("Zhoukou Wanda"), Bengbu Huaishang District Wanda Commercial Management Operation Co., Ltd. ("Bengbu Huaishang"), Ulanqab Wanda Real Estate Development Co., Ltd. ("Ulanqab Wanda"), Tianshui Wanda Business Services Co., Ltd. ("Tianshui Wanda"), AnKang Gaoxin Wanda Property Co., Ltd. ("AnKang Gaoxin"), Zigong Wangong Business Services Co., Ltd. ("Zigong Wangong"), Bozhou Qiaocheng District Wanda Plaza Co., Ltd. ("Bozhou Qiaocheng"), Weihai Wanda Commercial Co., Ltd. ("Weihai Wanda") and Yangzhou Wanda Western New District Commercial Plaza Co., Ltd. ("Yangzhou Western"), of Wanda Real Estate at total considerations of RMB120 million. In addition, the Company has agreed to repay shareholder loans, amounting to RMB1,068 million, to Wanda Real Estate on behalf of the 11 subsidiaries. All the above-mentioned Business Combination was completed by the end of the year.

The 11 subsidiaries of Wanda Real Estate are all under the common control of the Parent before and after the date of acquisition, and that control is not transitory, hence the acquisition has been accounted for as combination of entities under common control. Guilin Wangui and Hai'an Wanda were established in 2018 and the rest of these companies were established in 2019. Accordingly, the assets and liabilities of Guilin Wangui and Hai'an Wanda have been accounted for at historical amounts and the consolidated financial statements of the Group prior to the acquisition of Guilin Wangui and Hai'an Wanda have been restated to include the assets and liabilities of Guilin Wangui and Hai'an Wanda as if the business acquired had always been part of the Group.

The financial positions previously reported by the Group at 31 December 2018 have been restated to include the assets and liabilities of Guilin Wangui and Hai'an Wanda as set out below:

31 December 2018

	The Group (as previously reported) RMB'million	Guilin Wangui and Hai'an Wanda RMB'million	The Group (Restated) RMB'million
Non-current assets	441,787	178	441,965
Current assets	183,988	9	183,997
Current liabilities	140,730	187	140,917
Non-current liabilities	220,315	-	220,315
Equity	264,730	-	264,730

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases - Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

IFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various items of investment properties, buildings, prepaid land lease payments and others. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The investment properties obtained from leases amounting to RMB3,369 million were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. For the other leases, the right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under right-of-use land of RMB1,501 million that were reclassified from prepaid land lease payments and under finance leases of RMB2 million that were reclassified from property, plant and equipment.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying IAS 40. For the leases previously accounted for as operating leases and entered into for earning sublease rental income, the related right-of-use assets of the head leases amounting to RMB8,560 million were measured at fair value at 1 January 2019, and have been accounted for and classified as investment properties applying IAS 40 from that date.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) RMB'million
Assets	
Increase in right-of-use assets	1,876
Increase in deferred tax assets	867
Increase in investment properties	3,369
Decrease in property, plant and equipment	(2)
Decrease in prepaid land lease payments	(1,501)
Increase in total assets	4,609
Liabilities	
Increase in interest-bearing bank and other borrowings	7,399
Increase in deferred tax liabilities	867
Decrease in other payables and accruals	(2)
Decrease in trade and bills payables	(49)
Decrease in obligation under finance leases	(3,606)
Increase in total liabilities	4,609

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'million
Operating lease commitments as at 31 December 2018	**6,049**
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(31)
Commitments relating to leases of low-value assets	(1)
Add: Payments for optional extension periods not recognised as at 31 December 2018	15
	6,032
Weighted average incremental borrowing rate as at 1 January 2019	4.91%
Discounted operating lease commitments as at 1 January 2019	3,793
Add: Finance lease liabilities recognised as at 31 December 2018	3,606
Lease liabilities as at 1 January 2019	**7,399**

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) IFRIC-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group’s tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 (2011) was removed by the IASB in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

3. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures was included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets measured at fair value through other comprehensive income and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, deferred tax assets, assets of disposal groups classified as held for sale and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation
Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The main property, plant and equipment's estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Buildings	35-40 years	5%
Machinery	10 years	5%
Motor vehicles	5 years	5%
Electronic equipment	5 years	5%
Others	5 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents construction work in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing cost on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Other intangible assets (other than goodwill)
Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortisation period and the amortisation method for other intangible assets with finite useful lives are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Other intangible assets acquired in a business combination comprise brands, designs, orders and business relationship, which are amortised on the straight-line basis over their estimated useful lives of 1 to 25 years.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Investment properties comprise completed investment properties and investment properties under construction. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains,a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)
Group as a lessee (continued)
(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	9 to 40 years
Buildings	1 to 11 years
Others	1 to 12 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities
Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)
Group as a lessee (continued)
(c) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office, motor vehicles and staff quarters (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and potted plants that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor
When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Leases (applicable before 1 January 2019)
Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets.The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019) (continued)
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets(continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss

Financial assets designated at fair value through other comprehensive income (equity investments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition,the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Simplified approach
For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, dividend payables, obligation under finance leases and bonds and notes.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities(continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings and bonds and notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Derivative financial instruments and hedge accounting</u>
Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:
- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:
- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories other than properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises land costs, construction costs, capitalised borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deductions on construction costs, professional fees, applicable various selling expenses and interest to be incurred from the valuation date to completion.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. Upon completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current tax and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets against and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Revenue from the sale of properties in the ordinary course of business is recognised when the control of properties is transferred to customers.

Property management fee income derived from the provision of property maintenance and management services is recognised when the relevant services are rendered.

Hotel operating income including room rental and service fee income from the provision of other ancillary services is recognised when the services are rendered.

Revenue from other sources

Rental income derived from the lease of the Group’s properties is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract liabilities
A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs
Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants restricted shares to certain employees of the Group and of its parent company for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group and of its parent company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants after 10 July 2014 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external professional appraiser using a price-to-book ratio model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss or to the deemed distribution to the parent company for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for each of the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers under sale of properties
The Group applied the judgements that significantly affect the determination of the timing of satisfaction of sale of properties. The Group concluded that revenue for sale of properties is to be recognised at the point in time because the Group does not have an enforceable right to payment for performance completed to date in case of pre-completion sales, and accordingly, the criteria for recognising revenue over time are not met. The Group expects to recognise the sale of properties until the point in time at which the Group delivers the properties to the purchasers.

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for lease of office due to the significance of the asset to its operation. The lease has a short non-cancellable period (i.e., three years) and there will be a significant negative effect on operation if a replacement is not readily available.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by management on determining whether a property is classified as a property held for sale or an investment property. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the properties are accounted for as properties under development included in current assets if the properties are intended for sale after completion of construction, whereas the properties are accounted for as investment properties under construction or development included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation.

Determination of assets related government grants

The Group receives government grants for its project development or as financial assistance for its operation. Judgement is made by management on determining whether the government grants are relating to assets or income. The Group considers the primary condition for the receipt of the government grants. If the primary condition of the government grants is that the Group purchases, constructs or otherwise acquires long-term assets, the grants acquired are accounted for as government grants related to assets, whereas government grants acquired are related to income.

Determination of an acquisition of business or acquisition of assets

The Group determines whether an acquisition qualifies as an acquisition of business or acquisition of an asset and has developed criteria in making that judgement. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Therefore, the Group considers whether a market participant is capable of utilising the acquired set of activities and assets to produce output. When an acquired set of activities and assets does not include all of the inputs and processes necessary to operate such business, the Group concludes that it is an acquisition of business if a market participant is capable of integrating the acquired set with its own inputs and processes, or the missing elements are easily replaced or replicated. If the missing elements are not minor, the Group concludes that it is an acquisition of assets. Judgement is made on each acquisition to determine whether it is an acquisition of business or assets.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Fair value of investment properties
The investment properties of the Group are measured at fair value. The fair value 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 similar properties in the same locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interest to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties at 31 December 2019 was RMB432,119 million (2018: RMB407,412 million). Further details, including the key assumptions used for fair value measurement, are stated in note 15 to the financial statements.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2019 was RMB287 million (2018: RMB1,338 million). Further details are given in note 17 to the financial statements.

PRC corporate income tax ("CIT")
The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to the CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the CIT provision to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the CIT expense and CIT provision in the period in which the differences are realised.

PRC land appreciation tax ("LAT")
LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditures including land costs, capitalised borrowing costs and other property development expenditures.

When calculating the LAT, the Group needs to estimate the deductible expenditures and make judgement on the relevant tax rate on individual property basis under the relevant applicable tax laws and regulations. Given the uncertainties of the calculation basis of LAT to be interpreted by the local tax bureau, the actual outcomes may be higher or lower than that estimated. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the LAT expense and LAT provision in the period in which the differences are realised.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 20 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 46 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. The fair value of the unlisted equity investments at 31 December 2019 was RMB987 million (2018: RMB2,560 million). Further details are included in note 21 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2019, all the completed properties held for sale were sold and the Company has decided to withdraw from the business segment of development and sale of properties, therefore, the segment of development and sale of properties was classified as discontinued operation.

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows and the corresponding items of segment information for the year ended 31 December 2018 have been restated:

(a) development, leasing and management of commercial properties held by the Group for long-term investment;

(b) development and operation of hotels; and

(c) the "others" segment mainly comprises management of properties sold, research and design centres, and institutes and other services

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 a measure of 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 are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Segment revenue (note 5)				
Sales to external customers	34,929	1,475	3,365	39,769
Intersegment sales	726	4	215	945
	35,655	1,479	3,580	40,714
Reconciliation:				
Elimination of intersegment sales				(945)
Revenue				39,769
Cost of Sales	(11,028)	(840)	(2,841)	(14,709)
Other income and gains	618	21	3,193	3,832
Increase in fair value of investment properties, net	12,024	-	-	12,024
Selling and distribution expenses	(961)	(91)	(143)	(1,195)
Administrative expenses	(3,022)	(298)	(638)	(3,958)
Finance costs(interest on lease liabilities)	(339)	-	(15)	(354)
Other expenses	(5)	(319)	(296)	(620)
Share of losses of joint ventures	-	-	(184)	(184)
Segment results	32,216	(52)	2,441	34,605
Reconciliation:				
Finance costs (other than interest on lease liabilities)				(9,663)
Profit before tax from continuing operations				24,942

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Share of losses of joint ventures	-	-	184	184
Impairment losses recognised in the statement of profit or loss, net	5	167	296	468
Depreciation and amortisation	222	200	320	742
Investments in joint ventures	-	-	2,094	2,094
Capital expenditure*	9,201	492	102	9,795

* Capital expenditure consists of additions to property, plant and equipment, investment properties, and other intangible assets.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018 (Restated)

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Segment revenue (note 5)				
Sales to external customers	30,007	1,466	2,974	34,447
Intersegment sales	660	6	209	875
	30,667	1,472	3,183	35,322
Reconciliation:				
Elimination of intersegment sales				(875)
Revenue				34,447
Cost of of Sales	(8,919)	(795)	(2,567)	(12,281)
Other income and gains	307	8	2,068	2,383
Increase in fair value of investment properties, net	15,603	-	-	15,603
Selling and distribution expenses	(725)	(67)	(119)	(911)
Administrative expenses	(2,386)	(304)	(289)	(2,979)
Other expenses	(26)	(95)	(1,164)	(1,285)
Share of losses of joint ventures	-	-	(68)	(68)
Segment results	33,861	213	835	34,909
Reconciliation:				
Finance costs				(8,058)
Profit before tax from continuing operations				26,851

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information (Restated)

	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Share of losses of joint ventures	-	-	68	68
Impairment losses recognised in the statement of profit or loss, net	26	95	706	827
Depreciation and amortisation	171	176	232	579
Investments in joint ventures	-	-	2,278	2,278
Capital expenditure*	13,044	1,441	83	14,568

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments and permanent land and other intangible assets.

Geographical information

Over 90% of the Group’s revenue is derived from customers based in Mainland China, and over 90% of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for the year (2018: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019 RMB'million	2018 RMB'million
Revenue from contracts with customers	15,799	14,251
Revenue from other sources		
Gross rental income from investment property operating leases	23,970	20,196
	39,769	34,447

Revenue from contracts with customers and other sources

(a) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Type of goods or services				
Investment property management	10,959	-	-	10,959
Hotel operation	-	1,475	-	1,475
Sale of yachts	-	-	2,692	2,692
Others	-	-	673	673
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Geographical markets				
Mainland China	10,942	1,475	673	13,090
Overseas	17	-	2,692	2,709
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Timing of revenue recognition				
Goods transferred at a point in time	-	472	2,161	2,633
Services transferred over time	10,959	1,003	1,204	13,166
Total revenue from contracts with customers	10,959	1,475	3,365	15,799

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Type of goods or services				
Investment property management	9,811	-	-	9,811
Hotel operation	-	1,466	-	1,466
Sale of yachts	-	-	2,617	2,617
Others	-	-	357	357
Total revenue from contracts with customers	9,811	1,466	2,974	14,251
Geographical markets				
Mainland China	9,794	1,466	357	11,617
Overseas	17	-	2,617	2,634
Total revenue from contracts with customers	9,811	1,466	2,974	14,251
Timing of revenue recognition				
Goods transferred at a point in time	-	478	1,910	2,388
Services transferred over time	9,811	988	1,064	11,863
Total revenue from contracts with customers	9,811	1,466	2,974	14,251

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Revenue from contracts with customers				
External customers	10,959	1,475	3,365	15,799
Intersegment sales	78	4	215	297
	11,037	1,479	3,580	16,096
Intersegment adjustments and eliminations	(78)	(4)	(215)	(297)
Total revenue from contracts with customers	10,959	1,475	3,365	15,799
Revenue from other sources				
External customers	23,970	-	-	23,970
Intersegment sales	648	-	-	648
	24,618	-	-	24,618
Intersegment adjustments and eliminations	(648)	-	-	(648)
Total revenue from other sources	23,970	-	-	23,970
Total revenue	34,929	1,475	3,365	39,769

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(a) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Investment property leasing and management RMB'million	Hotel operation RMB'million	Others RMB'million	Total RMB'million
Revenue from contracts with customers				
External customers	9,811	1,466	2,974	14,251
Intersegment sales	132	6	209	347
	9,943	1,472	3,183	14,598
Intersegment adjustments and eliminations	(132)	(6)	(209)	(347)
Total revenue from contracts with customers	9,811	1,466	2,974	14,251
Revenue from other sources				
External customers	20,196	-	-	20,196
Intersegment sales	528	-	-	528
	20,724	-	-	20,724
Intersegment adjustments and eliminations	(528)	-	-	(528)
Total revenue from other sources	20,196	-	-	20,196
Total revenue	30,007	1,466	2,974	34,447

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:

	2019 RMB'million	2018 RMB'million
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of yachts	396	411
Rendering of services	1,594	1,384
	1,990	1,795

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers and other sources (continued)
(b) Performance obligations

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

Investment property management
The performance obligation is satisfied over time as services are rendered and short-term advances are generally required before rendering the services. The contracts are for periods of one year or less, or are billed based on the time incurred.

Hotel operation
The performance obligation is satisfied over time as services are rendered and short-term advances are sometimes required before rendering the services. The contracts are for periods of one year or less, or are billed based on the time incurred.

Sale of yachts
The revenue of the yachts in excess of 115 feet in size is generated over time. The performance obligation is satisfied over time as progressing in the construction of the yachts and payment is also based on the construction progress of the yachts. The yachts are generally provided maintenance and warranty periods at the time of sale in order to ensure the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The revenue of the yachts smaller than 115 feet in size is generated at a point in time. The performance obligation is satisfied upon delivery of the yachts and payment is generally due within 30 to 60 days before delivery, where payment in advance is generally required.

The consideration received from customers in advance allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2019 RMB'million	2018 RMB'million
Within one year	2,718	1,990

5. REVENUE, OTHER INCOME AND GAINS (continued)

	2019 RMB'million	2018 RMB'million (Restated)
Other income		
Bank interest income	260	129
Government grants	143	52
Others	92	226
	495	407
Gains		
Foreign exchange gain, net	76	-
Gain on entrusted loan	1,261	1,185
Gain on financial products	1,590	648
Others	410	143
	3,337	1,976
	3,832	2,383

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	2019 RMB'million	2018 RMB'million (Restated)
Other expenses		
Loss on disposal of subsidiaries	152	-
Foreign exchange loss, net	-	458
(Reversal)/Impairment of inventories	(9)	4
Impairment of trade receivables	25	2
Impairment of other receivables	19	26
Impairment of goodwill	268	700
Impairment of assets of disposal groups classified as held for sale	165	95
	620	1,285

7. PROFIT BEFORE TAX

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

	Notes	2019 RMB'million	2018 RMB'million (Restated)
Cost of inventories sold		2,418	2,382
Cost of services provided		12,291	9,899
Government grants released*	5	(143)	(52)
Depreciation of property, plant and equipment		445	395
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)		128	25
Amortisation of other intangible assets		169	159
(Reversal)/Impairment of inventories	6	(9)	4
Impairment of trade receivables	6	25	2
Impairment of other receivables	6	19	26
Impairment of goodwill	6	268	700
Impairment of assets of disposal groups classified as held for sale	6	165	95
Minimum lease payments under operating leases in respect of land and buildings		-	85
Lease payments not included in the measurement of lease liabilities	16(d)	739	-
Auditors' remuneration		10	9
Employee benefit expenses (excluding directors' and chief executive's remuneration)			
Wages, salaries and bonuses		6,384	5,867
Pension scheme contributions		529	531
Social welfare and other costs		921	951
Share-based payments		38	29
		7,872	7,378
Increase in fair value of investment properties, net		(12,024)	(15,603)
Foreign exchange (gain)/loss	5&6	(76)	458
Direct operating expenses relating to investment property leasing and management		11,028	8,919
Loss on disposal of subsidiaries	6	152	-

* There are no unfulfilled conditions or contingencies relating to these grants.

8. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019 RMB'million	2018 RMB'million (Restated)
Interest on bank loans ,other loans and bonds and notes	9,858	8,388
Interest on lease liabilities	354	-
Interest on finance leases	-	189
Total interest expense	10,212	8,577
Less: Interest capitalised	(195)	(519)
	10,017	8,058

9. INCOME TAX

The provision for Mainland China CIT has been provided at the applicable tax rate of 25% (2018:25%) on the assessable profits of the Company and its subsidiaries in Mainland China. Taxes on profits assessable in Hong Kong have been calculated at the rates of 16.5% (2018:16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2019 RMB'million	2018 RMB'million (Restated)
Current - Mainland China CIT		
Charge for the year	2,108	1,782
Overprovision in prior years	(106)	(57)
Current - Elsewhere CIT	7	30
Deferred	4,386	5,845
Total tax charge for the year from continuing operations	6,395	7,600
Total tax charge for the year from discontinued operations	6,062	10,866
	12,457	18,466

9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2019 RMB'million	%	2018 RMB'million (Restated)	%
Profit before tax from continuing operations	24,942		26,851	
Profit before tax from discontinued operations	12,635		23,281	
	37,577		50,132	
CIT at the statutory tax rate	9,394	25.0	12,533	25.0
Effect of different tax levies enacted by local authorities*	279	0.7	262	0.5
Adjustments in respect of current tax of previous years	(160)	(0.4)	(106)	(0.2)
Profits and losses attributable to joint ventures	46	0.1	17	0.0
Income not subject for tax	(847)	(2.3)	(258)	(0.5)
Expenses not deductible for tax	299	0.8	662	1.4
Tax losses and deductible temporary differences utilised from previous years	(1,035)	(2.8)	(840)	(1.7)
Deductible temporary differences not recognised	431	1.1	1,240	2.5
Tax losses not recognised	1,203	3.2	511	1.0
LAT	3,796	10.1	5,927	11.8
CIT effect of LAT	(949)	(2.5)	(1,482)	(3.0)
Tax charge at the effective rate	12,457	33.0	18,466	36.8
Tax charge from continuing operations at the effective rate	6,395		7,600	
Tax charge from discontinued operations at the effective rate	6,062		10,866	

* The amount includes the effect of lower tax rates for specific provinces and higher tax levies under assessment and collection mode of certain subsidiaries enacted by local authorities.

The share of tax attributable to joint ventures amounting to RMB(65) million (2018: RMB(2) million) is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In 2017, the Company entered into strategic agreements with Guangzhou R&F Properties Co. Ltd. to dispose 100% interests in 73 subsidiaries engaged in hotel operation. The equity interests transfers of 2 subsidiaries named Zhangzhou Wanfu Hotel Management Co., Ltd. ("Zhangzhou Wanfu") and Changchun Wanda Wenhua Hotel ("Changchun Wanda") were in process and expected to be completed in 2020. As a result, the 2 subsidiaries engaged in hotel operation were classified as disposal group held for sale as at 31 December 2019.

In September 2018, the Company entered into a strategic agreement with Sunac China Holdings Limited to dispose of the remaing 9% equity interests in the 14 Wanda Cities for a consideration of RMB2,925 million. As at 31 December 2018, the transfer of the 9% equity interests was in the process and expected to be completed in 2019. As a result, the 9% equity interests were classified as disposal group held for sale at the end of 2018. During the year, the equity transfers have been completed.

(a) Assets and liabilities of Zhangzhou Wanfu and Changchun Wanda classified as held for sale

	31 December 2019 RMB'million	31 December 2018 RMB'million
Assets		
Property, plant and equipment	827	414
Right-of-use assets	193	-
Prepaid land lease payments	-	198
Other intangible assets	1	1
Losses recognised on the remeasurement to fair value	(414)	(249)
Assets of a disposal group classified as held for sale	607	364
Liabilities		
Liabilities directly associated with the assets classified as held for sale	-	-
Net assets directly associated with the disposal group	607	364

(b) Assets and liabilities of the 9% equity interests classified as held for sale

	31 December 2018 RMB'million
Assets	
Equity investments designated at fair value through other comprehensive income for the year	2,925
Assets classified as held for sale	2,925
Liabilities	
Liabilities directly associated with the assets classified as held for sale	-
Net assets directly associated with the disposal group	2,925

11. DISCONTINUED OPERATIONS

(i) On 16 January 2018, the two subsidiaries of the Group, Wanda Hotel Development Company Limited ("Wanda Hotel") and Wanda Commercial Properties (Hong Kong) Co., Ltd. ("Wanda HK"), and R&F Properties (HK) Company Limited ("R&F") as purchaser entered into a sale and purchase agreement in respect of the disposal of entire issued share capital of Wanda International Real Estate Investment Co., Ltd. ("Wanda International"), at a consideration of GBP59,348,797 and the Group, R&F and Wanda International entered into the relevant shareholder loan repayment agreement, pursuant to which R&F has agreed to repay the debt for and on behalf of Wanda International to the Group, which is currently expected to be GBP255,480,921.33. As the consideration is expected to exceed the net carrying amounts of the relevant assets and liabilities attributable to the disposal group, no impairment loss has been recognised. The disposal was completed on 6 July 2018.

On 18 January 2018, a subsidiary of the Group, Wanda Australia Real Estate Investment Co., Limited ("Wanda Australia"), AWH Investment Group Pty Ltd. ("AWH"), and Wanda Australia Commercial Properties Pty Ltd ("Wanda Australia CP") entered into a master agreement in respect of the proposed disposal of the entire equity interest in Wanda Australia CP subject to the terms contained therein, at the consideration of AUD315,044,422 and repayment of the debt in the amount of AUD815,107,691 in instalments. As the consideration is expected to exceed the net carrying amounts of the relevant assets and liabilities attributable to the disposal group, no impairment loss has been recognised. The disposal was completed on 18 May 2018.

As at 31 December 2018, as Wanda International and its subsidiaries ("Wanda International Group") and Wanda Australia CP and its subsidiaries ("Wanda Australia CP Group") had no geographical business segment in local after the disposal of them was completed, they were classified as discontinued operations. Their business of development and sale of properties and hotel development where they engaged in were no longer included in the note for operating segment information.

The results of Wanda International Group for the period ended 6 July 2018 and Wanda Australia CP Group for the period ended 18 May 2018 are presented below:

	2018 RMB'million
Other income and gains	52
Selling and distribution expenses	(7)
Administrative expenses	(15)
Other expenses	(4)
Finance costs	(15)
Gain on disposal of subsidiaries	1,291
Profit before tax from discontinued operations	1,302
Income tax expense	(27)
Profit for the period from discontinued operations	1,275

11. DISCONTINUED OPERATIONS (continued)

(ii) During the year, the management of Wanda Hotel has been in active discussions with the potential buyers for the disposal of Wanda Hotel's interest in Parcel C LLC("Parcel C"), a subsidiary of Wanda Hotel which holds a property under construction in Chicago, USA. The Group will have no geographical business segment in USA once the disposal is completed. As at 31 December 2019, the negotiations for the sale were in progress and Parcel C was classified as a disposal company held for sale and as a discontinued operation.

The results of Parcel C for the year are presented below:

	2019 RMB'million	2018 RMB'million
Other income and gains	5	2
Selling and distribution expenses	(25)	(27)
Loss before tax from the discontinued operation	(20)	(25)
Income tax expense	-	-
Loss for the year from the discontinued operation	(20)	(25)

11. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of Parcel C classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'million
Assets	
Property, plant and equipment	777
Right-of-use assets	1
Permanent land	142
Inventories	3,475
Contract incremental cost	52
Restricted cash	3
Cash and cash equivalents	25
Assets of a disposal group classified as held for sale	4,475
Liabilities	
Trade and bills payables	(434)
Interest-bearing bank and other borrowings	(873)
Liabilities of a disposal group classified as held for sale	(1,307)
Net assets directly associated with the disposal group	3,168

11. DISCONTINUED OPERATIONS (continued)

(iii) During the year, the Company decided to complete the divestment of the sale of properties business and no longer engage in any form of the sale of properties business. The Company has decided to cease its sale of properties business because it plans to focus its resources on its property leasing and management. The Company planned to complete the above decision to disposal of the Company's remaining properties and subsidiaries engaged in properties development to a related party, Wanda Real Estate Group Co., Ltd. ("Wanda Real Estate"). By the end of 2019, all above transfers have been completed except for the equity interests transfer of Xi'an Gaoxin Wanda Plaza Co., Ltd. ("Xi'an Gaoxin") which was completed in February 2020. As a result, assets and liabilities of Xi'an Gaoxin were classified as discontinued operations as at 31 December 2019 and the sale of properties business was classified as a disposal group held for sale and as a discontinued operation. With the sale of properties business being classified as a discontinued operation, the sale of properties business is no longer included in the note for operating segment information.

The results of the sale of properties business for the year are presented below:

	2019 RMB'million	2018 RMB'million
Revenue	39,955	70,441
Cost of sales	(25,992)	(43,372)
Gross profit	13,963	27,069
Other income and gains	1,010	1,272
Selling and distribution expenses	(1,930)	(1,992)
Administrative expenses	(2,112)	(2,729)
Other expenses	(2,650)	(2,211)
Finance costs	(826)	(1,473)
Gain on disposal of subsidiaries	5,200	2,068
Profit before tax from the discontinued operation	12,655	22,004
Income tax expense	(6,062)	(10,839)
Profit for the year from the discontinued operation	6,593	11,165

11. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of Xi'an Gaoxin classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'million
Assets	
Property, plant and equipment	2
Right-of-use assets	4
Goodwill	488
Deferred tax assets	103
Contract incremental costs	5
Inventories	2,194
Trade and bills receivables	1
Prepayments, other receivabls and other assets	1,236
Prepaid tax	110
Cash and cash equivalents	3,511
Assets classified as held for sale	7,654
Liabilities	
Trade and bills payables	(322)
Other payables and accruals	(4,116)
Interest-bearing bank and other borrowings	(3)
Taxes payable	(321)
Deferred tax liabilities	(161)
Liabilities directly associated with the assets classified as held for sale	(4,923)
Net assets directly associated with Xi'an Gaoxin	2,731

11. DISCONTINUED OPERATIONS (continued)

(iv) Profit attributable to ordinary equity holders of the Wanda International Group, Wanda Australia CP Group, Parcel C and the sale of properties business

	2019 RMB	2018 RMB
Earnings per share:		
Basic, from discontinued operations	1.35	2.48

The calculations of basic earnings per share from the discontinued operations are based on:

	2019 RMB'million	2018 RMB'million
Profit attributable to ordinary equity holders of the parent from the discontinued operation	6,136	11,212

	Number of shares	
	2019 million	2018 million
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	4,527	4,527

12. DIVIDENDS

	2019 RMB'million	2018 RMB'million
Interim – RMB1.05 (2018: RMB1.05) per ordinary share	4,754	4,754

As at the date of this report, the board of directors did not recommend the payment of the final dividend in respect of 31 December 2019 (2018: Nil).

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 4,527,347,600 (2018: 4,527,347,600) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

	2019 RMB'million	2018 RMB'million
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	18,287	18,155
From discontinued operations	6,136	11,212
	24,423	29,367

	Number of shares 2019 Million	 2018 Million
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	4,527	4,527

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2019	Buildings RMB'million	Machinery RMB'million	Electronic equipment RMB'million	Motor vehicles RMB'million	Others RMB'million	Construction in progress RMB'million	Total RMB'million
At 1 January 2019 (restated):							
Cost or valuation	10,705	997	692	472	304	1,336	14,506
Accumulated depreciation and impairment	(3,621)	(792)	(502)	(336)	(207)	(21)	(5,479)
Net carrying amount	7,084	205	190	136	97	1,315	9,027
At 31 December 2018, net of accumulated depreciation and impairment	7,084	206	190	137	97	1,315	9,029
Effect of adoption of IFRS 16	-	(1)	-	(1)	-	-	(2)
At 1 January 2019 (restated)	7,084	205	190	136	97	1,315	9,027
Additions	113	174	55	28	45	272	687
Disposals	(20)	(5)	(16)	(6)	(18)	-	(65)
Disposal of subsidiaries (note 40)	(730)	(19)	(3)	(2)	(6)	(468)	(1,228)
Depreciation provided during the year	(326)	(49)	(57)	(36)	(32)	-	(500)
Impairment provided during the year	(27)	-	-	-	-	-	(27)
Attributable to held for sale(note 11)	(5)	-	-	(1)	-	(773)	(779)
Transfers to inventory	(89)	-	-	-	-	-	(89)
Transfers to investment properties(note 15)	(139)	-	-	-	-	-	(139)
Transfers upon completion	107	-	-	-	-	(107)	-
Transfers from inventories	11	-	-	-	-	-	11
Exchange realignment	4	9	2	-	-	-	15
At 31 December 2019, net of accumulated depreciation and impairment	5,983	315	171	119	86	239	6,913
At 31 December 2019:							
Cost or valuation	7,541	618	575	411	221	239	9,605
Accumulated depreciation and impairment	(1,558)	(303)	(404)	(292)	(135)	-	(2,692)
Net carrying amount	5,983	315	171	119	86	239	6,913

14. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2018	Buildings RMB'million	Machinery RMB'million	Electronic equipment RMB'million	Motor vehicles RMB'million	Others RMB'million	Construction in progress RMB'million	Total RMB'million
At 1 January 2018:							
Cost or valuation	10,424	927	620	455	273	1,629	14,328
Accumulated depreciation and impairment	(3,316)	(676)	(445)	(291)	(152)	(21)	(4,901)
Net carrying amount	7,108	251	175	164	121	1,608	9,427
At 1 January 2018, net of accumulated depreciation and impairment	7,108	251	175	164	121	1,608	9,427
Additions	322	74	84	24	34	485	1,023
Disposals	(123)	(2)	(10)	(3)	-	(86)	(224)
Disposal of subsidiaries	(2)	-	(3)	(3)	(3)	(521)	(532)
Depreciation provided during the year	(305)	(52)	(57)	(45)	(55)	-	(514)
Impairment provided during the year	-	(64)	-	-	-	-	(64)
Attributable to held for sale	-	-	-	-	-	(123)	(123)
Transfers upon completion	48	-	-	-	-	(48)	-
Transfers from inventories	37	-	-	-	-	-	37
Exchange realignment	(1)	(1)	1	-	-	-	(1)
At 31 December 2018, net of accumulated depreciation and impairment	7,084	206	190	137	97	1,315	9,029
At 31 December 2018:							
Cost or valuation	10,705	998	692	473	304	1,336	14,508
Accumulated depreciation and impairment	(3,621)	(792)	(502)	(336)	(207)	(21)	(5,479)
Net carrying amount	7,084	206	190	137	97	1,315	9,029

15. INVESTMENT PROPERTIES

	Completed investment properties RMB'million	Investment properties under construction or development RMB'million	Total RMB'million
At 1 January 2018	364,285	14,718	379,003
Additions	-	12,177	12,177
Acquisition by finance leases	633	-	633
Net gain from fair value adjustment	15,498	101	15,599
Transfer upon completion	19,728	(19,728)	-
At 31 December 2018 (restated)	400,144	7,268	407,412
Effect of adoption of IFRS 16	3,369	-	3,369
At 1 January 2019 (restated)	403,513	7,268	410,781
Additions	-	8,881	8,881
Additions of right-of-use assets	1,319	-	1,319
Net gain from fair value adjustment	11,919	105	12,024
Disposal of subsidiaries (note 40)	(1,818)	-	(1,818)
Transfer from property, plant and equipment (note 14)	139	-	139
Transfer from inventories	793	-	793
Transfer upon completion	10,308	(10,308)	-
At 31 December 2019	426,173	5,946	432,119

At 31 December 2019, the net carrying amount of the Group's right-of-use assets included in investment property was RMB9,864 million.

15. INVESTMENT PROPERTIES (continued)

The Group’s completed investment properties are rented out under operating leases.

All the completed investment properties and investment properties under construction or development, including both land and building elements held by the Group were revalued at the end of the year based on valuations performed by the independent professional appraiser, DTZ Debenham Tie Leung Shenzhen Valuation Company Ltd. (“DTZ”), an industry specialist in investment property valuation, who has appropriate qualification and recent experience in the valuation of similar properties in the similar 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 similar locations and conditions. The fair values of investment properties under development are determined by establishing the market values of the properties on an “as-if” completed basis with appropriate deductions on construction costs, professional fees and capitalised borrowing costs to be incurred from the valuation date to completion as well as a reasonable margin. There were no changes to the valuation techniques during the year.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

The Group’s certain investment properties were pledged to secure bank borrowings granted to the Group (note 31).

As at the date of approval of these financial statements, the Group is in the process of applying for the relevant property certificates for certain investment properties. As at 31 December 2019, the carrying amount of the Group’s certain investment properties for which the title certification have not been obtained was RMB8,116 million (2018: RMB9,817 million). In the Directors’ opinion, the Group is entitled to lawfully and validly occupy and use these investment properties.

At the end of the year, all of the Group’s investment properties were within Level 3 of the fair value hierarchy as the valuation was arrived at by reference to certain significant unobservable inputs. There were no transfers between Levels 1, 2 and 3 during the year (2018: Nil).

The Group involves a team that reviews the valuations performed by the independent professional appraiser for financial reporting purposes. This team reports directly to senior management. Discussions of valuation processes and results are held between senior management, the valuation team and the independent professional appraiser twice a year, in line with the Group’s interim and annual reporting dates.

At the end of the year, the Group:

• verified all major inputs to the independent valuation reports;
• assessed property valuation movements when comparing to the prior year valuation reports; and
• held discussion with the independent professional appraiser

15. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties held as at 31 December 2019:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs 2019	2018
Shopping mall	Investment approach	Prevailing market rents	RMB25 – RMB1,081 per square metre per month	RMB24 – RMB1,100 per square metre per month
		Reversionary capitalisation rate	Anchor Stores:4.5% – 6.5% Standard Retail:5.0% – 7.5%	Anchor Stores:4.5% – 6.0% Standard Retail:5.0% – 7.0% Venue Operation:6.0%-8.0%
Shopping mall	Market approach	Prevailing market rents	Not applicable	RMB24,692per square metre per month
Office	Investment approach	Prevailing market rents	RMB39 – RMB490 per square metre per month	RMB50 – RMB450 per square metre per month
		Reversionary capitalisation rate	6.0% – 7.5%	6.0% – 7.5%
Office	Market approach	Prevailing market rents	RMB6,456- RMB10,800 per square metre per month	RMB32,400 per square metre per month
Carpark	Investment approach	Prevailing market rents	RMB45 – RMB2,100 per lot per month	RMB80 – RMB2,200 per lot per month
		Reversionary capitalisation rate	4.0% – 7.0%	4.0% – 5.0%
Carpark	Market approach	Prevailing market rents	Not applicable	RMB390,000 per lot
Other	Investment approach	Prevailing market rents	RMB6 – RMB532 per lot per month	RMB18 – RMB517 per lot per month
		Reversionary capitalisation rate	4.5% – 7.0%	4.5% – 6.0%
Other	Market approach	Prevailing market rents	RMB8,986- RMB 31, 682 per square metre	Not applicable

Prevailing market rents are estimated based on the independent professional appraiser's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value is. Reversionary yield is estimated by the independent professional appraiser based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of investment properties, buildings, internet cables, motor vehicles and others used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 years, and no ongoing payments will be made under the terms of these land leases. Leases of investment properties generally have lease terms between 20 and 40 years, buildings generally have lease terms between 1 and 11 years, internet cables generally have lease terms between 1 and 12 years and motor vehicles generally have lease terms between 1 and 2 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Prepaid land lease payments (before 1 January 2019)

	RMB'million
Carrying amount at 1 January 2018	2,466
Additions	155
Disposals	(833)
Disposal of subsidiaries	(95)
Attributable to held for sales or discontinued operations	(163)
Amortisation recognised during the year	(29)
Carrying amount at 31 December 2018	1,501
At 31 December 2018	1,501
Effect of adoption of IFRS 16	46
Carrying amount at 1 January 2019	1,547

(b) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments RMB'million	Buildings RMB'million	Others RMB'million	Total RMB'million	Investment* properties RMB'million
As at 1 January 2019	1,547	298	31	1,876	8,560
Additions	12	298	4	314	1,319
Disposals	(46)	-	-	(46)	-
Disposal of subsidiaries(note 40)	(323)	(2)	-	(325)	-
Depreciation charge	(67)	(59)	(7)	(133)	-
Attributable to held for sale(note 11)	-	(5)	-	(5)	-
Impaiment of right-of-use assets	(257)	-	-	(257)	-
Net loss from fair value adjustment	-	-	-	-	(15)
Exchange realignment	-	11	1	12	-
At 31 December 2019	866	541	29	1,436	9,864

* Represented balance of right-of-use assets included in investment properties.

16. LEASES (continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 Lease liabilities RMB'million	2018 Finance lease payables RMB'million
Carrying amount at 1 January	7,399	3,601
New leases	1,302	-
Disposal of subsidiaries	(2)	-
Accretion of interest recognised during the year	354	188
Attributable to held for sale	(4)	-
Exchange realignment	14	-
Payments	(562)	(183)
Carrying amount at 31 December	8,501	3,606
Analysed into:		
Current portion	188	86
Non-current portion	8,313	3,520

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 47 to the financial statements.

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

	2019 RMB'million
Interest on lease liabilities	354
Depreciation charge of right-of-use assets	133
Decrease in fair value of investment properties, net	(15)
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	27
Expense relating to leases of low-value assets (included in administrative expenses)	1
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales)	711
Total amount recognised in profit or loss	1,211

16. LEASES (continued)

(e) Variable lease payments

The Group has lease contracts for investment properties that contains variable payments based on operating income. Management's objective is to align the lease expense with the investment properties and revenue earned. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2019	Fixed payments RMB'million	Variable payments RMB'million	Total RMB'million
Fixed rent	145	-	145
Variable rent with minimum payment	319	129	448
Variable rent only	-	578	578
	464	707	1,171

(f) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 41(c) and 43(c), respectively, to the financial statements.

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 15) 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 RMB23,970 million (2018: RMB 20,196 million), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'million	2018 RMB'million
Within one year	24,925	19,528
After one year but within two years	21,511	15,478
After two years but within three years	14,201	10,550
After three years but within four years	9,525	7,479
After four years but within five years	6,820	5,949
After five years	33,347	21,985
	110,329	80,969

17. GOODWILL

	RMB'million
Cost and net carrying amount at 1 January 2018	2,451
Cost at 1 January 2018 net of accumulated impairment	2,451
Impairment during the year	(1,113)
At 31 December 2018	1,338
At 1 January 2018:	
Cost	2,941
Accumulated impairment	(1,603)
Net carrying amount	1,338
Cost at 1 January 2019, net of accumulated impairment	1,338
Impairment provided for the year	(563)
Classified as held for sale (note 11)	(488)
Cost and net carrying amount at 31 December 2019	287
At 31 December 2019:	
Cost	2,941
Accumulated impairment	(2,166)
Classified as held for sale (note 11)	(488)
Net carrying amount	287

17. GOODWILL (continued)

Impairment testing of goodwill

The goodwill arose from the business combinations of Wanda Hotel Development Company Limited ("Wanda Hotel"), Wanda Yacht Investment (Jersey) Company Limited ("Wanda Jersey") and Shaanxi Jinshida Real Estate Co., Ltd. ("Jinshida"). The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	2019 RMB'million
Wanda Hotel	287
Wanda Jersey	-
Jinshida	-
	287

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rates – The basis used to determine the value assigned to the revenue growth rates is the average growth rate achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are after tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on the asset groups or sets of asset groups are consistent with the past experience and external information sources of the Group.

The recoverable amount of Wanda Hotel has been determined based on a value in use calculation using discounted cash flow projections based on Wanda Hotel's five-year financial budgets approved by Wanda Hotel's management. The discount rate applied to the cash flow projections is 12%. The growth rate used to extrapolate the cash flows beyond the five-year period is 3%. Wanda Hotel's senior management believes that this growth rate is justified, given the unique infrastructure and characteristic services developed by Wanda Hotel. The recoverable amount of Wanda Hotel in 2017 was determined based on its fair value less costs of disposal, which was measured based on the quoted prices of shares of Wanda Hotel on the Hong Kong Stock Exchange.

The recoverable amount of Wanda Jersey has been determined based on a value in use calculation using discounted cash flow projections based on Wanda Jersey's five-year financial budgets approved by Wanda Jersey's senior management. The discount rate applied to the cash flow projections is 15.65% (2018: 15.21%). The growth rate used to extrapolate the cash flows beyond the five-year period is 2% (2018: 2%). Wanda Jersey's senior management believes that this growth rate is justified, given the unique infrastructure and characteristic services developed by Wanda Jersey. As the recoverable amount was less than the carrying amount, Management has recognised an impairment change of RMB268 million (2018: RMB700 million) in the current year against goodwill, and is recorded within other expenses in the consolidated statement of profit or loss.

The recoverable amount of Jinshida has been determined based on its fair value less costs of disposal, which is measured based on the quoted market prices of the properties held for sale. The Group's senior management believes that these quoted market prices are justified, because the project was located in a prosperous area which was developed by Jinshida. As the recoverable amount was less than the carrying amount, Management has recognised an impairment change of RMB295 million (2018: RMB413 million) in the current year against goodwill, and is recorded within other expenses in the consolidated statement of profit or loss.

18. OTHER INTANGIBLE ASSETS

	2019 RMB'million	2018 RMB'million
Cost at beginning of year	1,914	2,149
Additions	45	91
Disposals	(2)	(3)
Disposal of subsidiaries (note 40)	(41)	-
Amortisation provided during the year	(176)	(180)
Impairment during the year	-	(125)
Exchange realignment	77	(18)
At end of year	1,817	1,914
Cost	2,767	3,334
Accumulated amortisation	(950)	(937)
Accumulated impairment	-	(483)
Net carrying amount	1,817	1,914

19. INVESTMENTS IN JOINT VENTURES

	2019 RMB' million	2018 RMB' million
Share of net assets	2,094	2,278

Particulars of the Group's material joint venture are as follow:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shanghai Bingsheng Technology Co., Ltd.	Registered Capital of RMB1 each	PRC/ Mainland China	51%	51%	51%	Information technology

The above investment is directly held by the Company.

19. INVESTMENTS IN JOINT VENTURES (continued)

Shanghai Bingsheng Technology Co., Ltd. is considered as a material joint venture of the Group.

The following table illustrates the summarised financial information in respect of Shanghai Bingsheng Technology Co., Ltd., adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019 RMB'million	2018 RMB'million
Cash and cash equivalents	1,060	629
Other current assets	1,255	1,305
Current assets	2,315	1,934
Non-current assets	2,186	1,947
Current liabilities	(271)	(161)
Non-current liabilities	(45)	-
Net assets	4,185	3,720
Including: Net assets attributable to owners of the parent	4,106	3,646
Reconciliation to the Group's interest in the joint venture:		
Capital contributions subscribed but unpaid by other shareholders	-	820
Proportion of the Group's ownership	51%	51%
Carrying amount of the investment	2,094	2,278
Revenue	856	107
Interest income	21	12
Depreciation and amortisation	49	11
Tax	(127)	(4)
Loss and total comprehensive loss for the year	(360)	(134)

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2019 RMB'million	2018 RMB'million
Share of the joint venture's profits for the year	-*	-*
Share of the joint venture's total comprehensive income	-*	-*
Aggregate carrying amount of the Group's investments in the joint venture	-*	-*

* The amounts are presented as zero rounded to the nearest million.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Land appreciation tax RMB'million	Deemed profit for pre-sales RMB'million	Lease liabilities RMB'million	Others RMB'million	Total RMB'million
At 1 January 2018	1,700	2,614	-	2,087	6,401
Deferred tax charged to the statement of profit or loss	(373)	(1,106)	-	(962)	(2,441)
Disposal of subsidiaries	(167)	(295)	-	(13)	(475)
Exchange realignment	(14)	(8)	-	(14)	(36)
At 31 December 2018	1,146	1,205	-	1,098	3,449
Effect of adoption of IFRS 16	-	-	867	-	867
At 1 January 2019 (restated)	1,146	1,205	867	1,098	4,316
Deferred tax (charged)/credited to the statement of profit or loss	(363)	(753)	288	65	(763)
Disposal of subsidiaries (note 40)	(720)	(406)	-	(491)	(1,617)
Attributable to held for sale or discontinued operations (note 11)	(56)	(46)	(1)	-	(103)
Exchange realignment	-	-	1	7	8
At 31 December 2019	7	-	1,155	679	1,841

20. DEFERRED TAX (continued)

Deferred tax liabilities

	Revaluation of investment properties RMB'million	Fair value adjustments arising from subsidiaries RMB'million	Right-of-use asssets RMB'million	Others RMB'million	Total RMB'million
At 1 January 2018	44,162	811	-	101	45,074
Deferred tax charged/(credited) to the statement of profit or loss	5,319	(85)	-	(15)	5,219
Exchange realignment	11	7	-	-	18
At 31 December 2018	49,492	733	-	86	50,311
Effect of adoption of IFRS 16	842	-	25	-	867
At 1 January 2019 (restated)	50,334	733	25	86	51,178
Deferred tax charged/(credited) to the statement of profit or loss	4,752	(39)	47	(76)	4,684
Disposal of subsidiaries (note 40)	956	(204)	(1)	(4)	747
Attributable to held for sale or discontinued operations (note 11)	-	(160)	(1)	-	(161)
Exchange realignment	-	15	1	-	16
At 31 December 2019	56,042	345	71	6	56,464

Deferred tax assets have not been recognised in respect of the following items:

	2019 RMB'million	2018 RMB'million
Tax losses	11,314	12,743

RMB11,048 million out of the above tax losses arose in Mainland China, which were available for offsetting against future taxable profits in one to five years. The remaining tax losses arose in the United Kingdom, and Hong Kong for offsetting against future taxable profits which had no restriction on years, and the tax losses amounted to RMB61 million, and RMB205 million respectively. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. As at 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate undistributable amount of earnings associated with investments in subsidiaries in the PRC is approximately RMB1,746 million at 31 December 2019 (2018: RMB1,418 million).

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'million	2018 RMB'million
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Shanghai Wanda Network Financial Sevice Co., Ltd.	215	1,327
Shanghai Wanda Small Loan Co., Ltd.	64	66
Hainan Gaodeng Technology Co., Ltd.	90	90
CITIC Trust-Investment Collection Plan	296	-
Shanghai Wanda Wenchou Investment Management Partnership("Wenchou")	322	1,077
	987	2,560

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

In September 2019, the Group redeems its equity interest in Wenchou. The fair value of the redeemed equity interest on the date of redemption was RMB755 million and no accumulated gain recognised in other comprehensive income. During the year ended 31 December 2019, the Group received dividends in the amounts of RMB76 million (2018: Nil) from Wenchou.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'million	2018 RMB'million
Other unlisted investments, at fair value		
Financial products	-	9,975
Trust products	7,000	6,891
	7,000	16,866
Current	7,000	8,630
Non-current	-	8,236

The above unlisted investments at 31 December 2019 were financial products issued by banks and trust products issued by trust companies in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. OTHER CURRENT/NON-CURRENT ASSETS

	2019 RMB'million	2018 RMB'million
Entrusted loan	10,900	26,550
Financial products	23,340	-
Others	233	252
	34,473	26,802
Current	31,740	23,100
Non-current	2,733	3,702

24. INVENTORIES

	2019 RMB'million	2018 RMB'million
Properties	-	47,864
Hotel merchandise	2	6
Yachts and yachts related	444	556
Others	17	23
Impairment	(9)	(1,238)
	454	47,211

The movements in the provision for impairment of inventories are as follows:

	2019 RMB'million	2018 RMB'million
At beginning of year	1,238	491
Impairment losses, net	168	926
Written-off of impairment	(826)	(179)
Disposal of subsidiaries	(572)	-
Exchange realignment	1	-
At end of year	9	1,238

25. TRADE AND BILLS RECEIVABLES

	2019 RMB'million	2018 RMB'million
Trade receivables	726	793
Bills receivable	15	30
Impairment	(46)	(13)
	695	810

The Group's trade receivables are mainly due from the tenants whose credit periods are usually within a month. The Group has a strict credit control policy and seeks to maintain strict control over its outstanding receivables.

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

	2019 RMB'million	2018 RMB'million
Within one year	632	781
Over one year	63	29
	695	810

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

	2019 RMB'million	2018 RMB'million
At beginning of year	13	17
Impairment losses, net	27	-
Amount written off as uncollectible	(1)	(4)
Exchange realignment	7	-
At end of year	46	13

The increase (2018: decrease) in the loss allowance was due to the following changes in the gross carrying amount:

(i) Increase in the loss allowance of RMB27 million as a result of an increase in trade receivables which were past due for the credit periods (2018: Nil);

(ii) Decrease in the loss allowance of RMB1 million (2018: RMB4 million) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using the simplified approach to provide for expected credit losses prescribed by IFRS 9 to measure expected credit losses, further details of which are given in note 2.4.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'million	2018 RMB'million
Other prepaid tax	1,628	2,451
Prepayments	497	1,958
Other receivables	11,073	6,857
Impairment allowance	(1,329)	(367)
	11,869	10,899

The ageing of other receivables is mainly within one year.

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

	2019 RMB'million	2018 RMB'million
At beginning of year	367	338
Impairment losses, net	989	77
Disposal of subsidiaries	(27)	(48)
At end of year	1,329	367

Other receivables mainly represent deposits, social welfare costs and advance payments. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies as at 31 December 2019 was 13.71% (2018: 5.81%).

27. CONTRACT INCREMENTAL COSTS

	31 December 2019 RMB'million	31 December 2018 RMB'million	1 January 2018 RMB'million
Sales commissions	-	198	342
Stamp duty	-	33	64
Total	-	231	406

Contract incremental costs mainly include sales commissions and stamp duty. The Group capitalizes the contract incremental costs and amortizes them with the recognition of relevant revenue. The amortization amount of contract incremental costs in 2019 is RMB310 million (2018: RMB372 million), and the incremental cost of capitalization has no impairment loss.

28. CASH AND CASH EQUIVALENTS

	2019 RMB'million	2018 RMB'million (Restated)
Cash and bank balances (a)	65,739	83,279
Less: Restricted cash		
Government regulation fund (b)	(252)	(3,234)
Pledged for bank loans	(258)	(1,389)
Pledged for guarantee deposits	(1)	(406)
Pledged for mortgage deposits	(263)	(723)
Pledged for bank acceptance bill deposits	(29)	-
Pledged for others	(179)	(165)
	(982)	(5,917)
Cash and cash equivalents	64,757	77,362
Denominated in:		
RMB	60,257	80,878
HKD	34	21
USD	4,975	1,843
GBP	181	526
AUD	291	-
EUR	1	11
	65,739	83,279

(a) The cash and bank balances of the Group denominated in RMB amounted to RMB60,257 million as at 31 December 2019 (2018: RMB80,878 million). The RMB is not freely convertible into other currencies; however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

(b) In accordance with the requirement of the local government, certain property development companies are required to place the proceeds received for pre-sale of properties in designated bank accounts for the construction of related property projects. The deposits can only be used for purchases of construction materials and payments of construction fees for the related property projects. These deposits will be released according to the completion status of the related property projects.

29. TRADE AND BILLS PAYABLES

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

	31 December 2019 RMB'million	1 January 2019 RMB'million	31 December 2018 RMB'million (Restated)
With in 1 year	13,599	30,033	30,082
1 to 2 years	1,635	2,914	2,914
Over 2 years	1,110	1,699	1,699
Total	16,344	34,646	34,695

The trade payables are non-interest-bearing and are normally settled based on the progress of the construction of property projects.

30. OTHER PAYABLES AND ACCRUALS

	31 December 2019 RMB'million	1 January 2019 RMB'million	31 December 2018 RMB'million (Restated)
Advance from customers	5,561	4,284	4,284
Contract liabilities (a)	2,718	44,106	44,106
Staff costs payables	3,069	2,335	2,335
Interest payable	2,339	2,157	2,157
Other taxes payable	1,569	991	991
Other payables (b)	15,397	25,199	25,201
	30,653	79,072	79,074

30. OTHER PAYABLES AND ACCRUALS (continued)

(a) Details of contract liabilities as at 31 December 2019 and 1 January 2019 are as follows:

	31 December 2019 RMB'million	31 December 2018 RMB'million	1 January 2018 RMB'million
Short-term advances received from customers			
Sale of properties	-	42,116	78,215
Sale of yachts	260	396	411
Rendering of services	2,458	1,594	1,384
Total contract liabilities	2,718	44,106	80,010

Contract liabilities include short-term advances received to the sale of properties and yachts. The decrease in contract liabilities in 2019 was mainly due to the decrease in short-term advances received from customers in relation to the sale of properties at the end of the year.

(b) Other payables are non-interest-bearing and have no fixed terms of repayment.

(c) As a result of the initial application of IFRS 16, accrued lease payments of RMB2 million previously included in "Other payables and accruals" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rates(%)	Maturity	RMB' million	RMB' million	Effective interest rates(%)	Maturity	RMB' million
Current							
Lease liabilities (notes 16(c))	4.90-5.75	2020	188	182	4.90	2019	86
Bank loans - secured	3.20	2020	526	498	3.20	2019	498
Bank loans - unsecured	-	-	-	1,167	3.95-4.38	2019	1,167
Other loans-unsecured	6.00	2020	91	87	6.00	2019	87
Current portion of long term							
Bank loans - secured	4.41-6.86	2020	6,984	8,567	4.28-6.82	2019	8,567
Bank loans - unsecured	4.78-6.37	2020	233	178	1.10-6.37	2019	178
Other loans - secured	5.64	2020	108	210	5.70-8.50	2019	210
			8,130	10,889			10,793
Non-current							
Lease liabilities (notes 16(c))	4.90-5.75	2021-2057	8,313	7,217	4.90	2021-2057	3,520
Bank loans - secured	4.41-6.86	2021-2032	79,177	82,897	3.84-6.86	2020-2032	82,897
Bank loans - unsecured	4.78-6.37	2023-2030	6,718	3,617	4.78-6.37	2020-2030	3,617
Other loans - secured	5.64-8.50	2022-2024	4,287	849	5.70-8.50	2022-2023	849
Other loans - unsecured	11.50	2021	25	-	-	-	-
			98,520	94,580			90,883
			106,650	105,469			101,676

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2019 RMB'million	2018 RMB'million
Analysed into:		
Bank loans repayable		
Within one year or on demand	7,743	10,410
Over one year but within two years	9,790	11,123
Over two years but within five years	33,346	36,911
Beyond five years	42,759	38,480
	93,638	96,924
Other borrowings repayable		
Within one year or on demand	387	383
Over one year but within two years	417	287
Over two years but within five years	2,635	725
Beyond five years	9,573	3,357
	13,012	4,752
	106,650	101,676

Assets that have been pledged as collateral to secure bank and other borrowings are as follows:

	2019 RMB'million	2018 RMB'million
Pledged bank deposits	58	82
Inventories	-	5,037
Prepaid land lease payments	46	1,616
Investment properties	271,341	253,971
Property, plant and equipment	1,584	2,762
	273,029	263,468

Certain subsidiaries in Mainland China which are engaged in the development of real estate projects have entered into fund arrangements with certain financial institutions (the “Trustees”), pursuant to which the Trustees raised trust funds and injected the funds to these subsidiaries. All the funds bear interest at fixed interest rates, have fixed repayment terms, and are secured by equity interests of these subsidiaries. The share of net assets in connection with the secured equity interests was approximately RMB84 million as at 31 December 2019 (2018: RMB79 million).

32. OBLIGATION UNDER FINANCE LEASES

The Group leases certain of its investment properties for its property leasing and management. These leases were classified as finance leases prior to IFRS 16 becoming effective on 1 January 2019 and had remaining lease terms ranging from 34 to 38 years.

At 31 December 2018, the total future minimum lease payments under the finance leases and their present values were as follows:

	Minimum lease payments RMB'million	Present value of minimum lease payments RMB'million
Amounts payable:		
Within one year	268	86
In the second to fifth years, inclusive	841	163
After five years	6,674	3,357
Total minimum finance lease payments	7,783	3,606
Future finance charges	(4,177)	
Total net finance lease payables	3,606	
Portion classified as current liabilities	(86)	
Non-current portion	3,520	

33. DEFERRED INCOME

	2019 RMB'million	2018 RMB'million
Carrying amount at the beginning of year	605	747
Additions during the year	367	284
Recognised as income during the year	(288)	(415)
Disposal of subsidiaries (note 40)	(74)	(11)
Carrying amount at the end of year	610	605
Current portion	-	(117)
Non-current portion	610	488

Deferred income mainly represents government grants received by the Group as financial subsidies, which were recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they were intended to compensate. There are no unfulfilled conditions or contingencies relating to the grants.

34. TAX PAYABLE AND PREPAID TAX

	2019 RMB'million	2018 RMB'million
LAT payable	1,497	1,331
CIT payable	1,394	2,886
	2,891	4,217
Prepaid LAT	(11)	(6,067)
Prepaid CIT	(156)	(481)
	(167)	(6,548)

35. BONDS AND NOTES

	2019 RMB'million	2018 RMB'million
Current:		
Unguaranteed notes due 2020,listed(b)	27,961	-
Unguaranteed bonds due 2020, listed (c)	9,798	-
Unguaranteed notes due 2019, listed (d)	-	11,986
Guaranteed bonds due 2020, listed (g)	2,086	-
	39,845	11,986
Non-current:		
Guaranteed bonds due 2024, listed (a)	4,117	4,050
Unguaranteed notes due 2020, listed (b)	-	27,892
Unguaranteed bonds due 2020, listed (c)	-	9,788
Unguaranteed notes due 2021, listed (e)	11,975	11,957
Unguaranteed bonds due 2021, listed (f)	24,722	24,946
Guaranteed bonds due 2022, listed (h)	2,729	-
	43,543	78,633
	83,388	90,619

(a) On 30 January 2014, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in January 2024 (the "GB2024 Bonds") in an aggregate principal amount of USD600 million. The GB2024 Bonds bear interest at a rate of 7.25% per annum, payable in arrears half-yearly on 29 January and 29 July of each year, commencing on 29 July 2014.

(b) On 30 July 2015, the Company issued unguaranteed mid-term notes with a due date in July 2020 in an aggregate principal of RMB10,000 million. The notes bear interest at a rate of 4.60% per annum, payable in arrears yearly on 31 July.

On 13 November 2015, the Company issued unguaranteed mid-term notes with a due date in November 2020 in an aggregate principal of RMB5,000 million. The notes bear interest at a rate of 4.25% per annum, payable in arrears yearly on 16 November.

On 8 March 2017, the Company issued unguaranteed mid-term notes with a due date in March 2020 in an aggregate principal of RMB5,000 million. The notes bear interest at a rate of 4.80% per annum, payable in arrears yearly on 10 March.

On 17 April 2017, the Company issued unguaranteed mid-term notes with a due date in April 2020 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 5.20% per annum, payable in arrears yearly on 19 April.

On 1 June 2017, the Company issued unguaranteed mid-term notes with a due date in June 2020 in an aggregate principal of RMB2,000 million. The notes bear interest at a rate of 5.30% per annum, payable in arrears yearly on 5 June.

35. BONDS AND NOTES (continued)

(c) On 26 August 2015, the Company issued unguaranteed bonds with a due date in August 2020 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 4.09% per annum, payable in arrears yearly on 27 August.

On 27 August 2018, according to the terms of repurchase provision set in *Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2015-Tranche 1) Prospectus*, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2015-Tranche 1") they hold during the repurchasing registration period (from August 2 to August 6, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2015-Tranche 1 was repurchased for 145,654 hands, with the amount of RMB146 million in total. The coupon rate of Bond 2015-Tranche 1 was increased from 4.09% to 6.80% per annum since 27 August 2018 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 13 October 2015, the Company issued unguaranteed bonds with a due date in October 2020 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.93% per annum, payable in arrears yearly on 14 October.

On 14 Oct 2018, according to the terms of repurchase provision set in *Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2015-Tranche 2) Prospectus*, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2015-Tranche 2") they hold during the repurchasing registration period (from September 12 to September 14, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2015-Tranche 2 was repurchased for 47,814 hands, with the amount of RMB48 million in total. The coupon rate of Bond 2015-Tranche 2 was increased from 3.93% to 6.60% per annum since 14 October 2018 (the coupon rate is calculated on a yearly basis and exempted from overdue interest).

(d) On 21 September 2016, the Company issued unguaranteed mid-term notes with a due date in September 2019 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 3.64% per annum, payable in arrears yearly on 23 September. On 19 September 2019, the notes were fully repaid.

On 19 October 2016, the Company issued unguaranteed mid-term notes with a due date in October 2019 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 3.40% per annum, payable in arrears yearly on 21 October. On 17 September 2019, the notes were fully repaid.

(e) On 28 March 2016, the Company issued unguaranteed mid-term notes with a due date in March 2021 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 3.70% per annum, payable in arrears yearly on 29 March.

On 26 April 2016, the Company issued unguaranteed mid-term notes with a due date in April 2021 in an aggregate principal of RMB6,000 million. The notes bear interest at a rate of 4.00% per annum, payable in arrears yearly on 28 April.

35. BONDS AND NOTES (continued)

(f) On 13 January 2016, the Company issued unguaranteed bonds with a due date in January 2021 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.20% per annum, payable in arrears yearly on 14 January.
On 14 January 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 1) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 1") they hold during the repurchasing registration period (from December 18 to December 20, 2018). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 1 was repurchased for 112,313 hands, with the amount of RMB112 million in total. The coupon rate of Bond 2016-Tranche 1 was increased from 3.20% to 5.50% per annum since 14 January 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 6 May 2016, the Company issued unguaranteed bonds with a due date in May 2021 in an aggregate principal of RMB8,000 million. The bonds bear interest at a rate of 3.95% per annum, payable in arrears yearly on 6 May.
On 6 May 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 2) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 2") they hold during the repurchasing registration period (from April 2 to April 4, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 2 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 2 was increased from 3.95% to 4.90% per annum since 6 May 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 24 May 2016, the Company issued unguaranteed bonds with a due date in May 2021 in an aggregate principal of RMB5,000 million. The bonds bear interest at a rate of 3.95% per annum, payable in arrears yearly on 24 May.
On 24 May 2019, according to the terms of repurchase provision set in *Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 3) Prospectus*, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 3") they hold during the repurchasing registration period (from April 23 to April 25, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 3 was repurchased for 130,000 hands, with the amount of RMB130 million in total. The coupon rate of Bond 2016-Tranche 3 was increased from 3.95% to 4.80% per annum since 24 May 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 13 June 2016, the Company issued unguaranteed bonds with a due date in June 2021 in an aggregate principal of RMB3,000 million. The bonds bear interest at a rate of 3.88% per annum, payable in arrears yearly on 13 June.
On 13 June 2019, according to the terms of repurchase provision set in *Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 4) Prospectus*, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 4") they hold during the repurchasing registration period (from May 15 to May 17, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 4 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 4 was increased from 3.88% to 4.75% per annum since 13 June 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

35. BONDS AND NOTES (continued)

(f) On 12 July 2016, the Company issued unguaranteed bonds with a due date in July 2021 in an aggregate principal of RMB2,000 million. The bonds bear interest at a rate of 3.45% per annum, payable in arrears yearly on 12 July.
On 12 July 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 5) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 5") they hold during the repurchasing registration period (from June 19 to June 21, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 5 was repurchased for 4,300 hands, with the amount of RMB4.3 million in total. The coupon rate of Bond 2016-Tranche 5 was increased from 3.45% to 4.70% per annum since 12 July 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

On 27 July 2016, the Company issued unguaranteed bonds with a due date in July 2021 in an aggregate principal of RMB2,000 million. The bonds bear interest at a rate of 3.36% per annum, payable in arrears yearly on 27 July.
On 29 July 2019, according to the terms of repurchase provision set in Dalian Wanda Commercial Properties Co., Ltd. Public Offering Corporate Bonds (Bond 2016-Tranche 6) Prospectus, bondholders are entitled to repurchase all or partial of the corporate bond ("Bond 2016-Tranche 6") they hold during the repurchasing registration period (from July 4 to July 8, 2019). In accordance with the statistics results provided by China Securities Depository and Clearing Corporation Limited-Shanghai Branch for the number of effective repurchasing bond during the current period, Bond 2016-Tranche 6 was repurchased for 0 hands. The coupon rate of Bond 2016-Tranche 6 was increased from 3.36% to 4.70% per annum since 27 July 2019 (the coupon rate is calculated by single rate on a yearly basis and exempted from overdue interest).

(g) On 1 March 2019, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in February 2020 (the "GB2020 Bonds") in an aggregate principal amount of USD300 million. The GB2020 Bonds bear interest at a rate of 6.25% per annum, payable in arrears half-yearly on 1 September and 27 February of each year, commencing on 1 September 2019.

(h) On 5 December 2019, a subsidiary of the Group issued guaranteed bonds, guaranteed by Wanda Commercial Properties (Hong Kong) Co. Limited, Wanda Real Estate Investments Limited and Wanda Commercial Properties Overseas Limited, with a due date in December 2022 (the "GB2022 Bonds") in an aggregate principal amount of USD400 million. The GB2022 Bonds bear interest at a rate of 6.95% per annum, payable in arrears half-yearly on 5 June and 5 December of each year, commencing on 5 June 2020.

36. SHARE CAPITAL

	2019 RMB'million	2018 RMB'million
Registered, issued and fully paid: 4,527,347,600 (2018: 4,527,347,600) ordinary shares	4,527	4,527

The amounts of the Group's issued capital and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

37. RESERVES

(a) Share premium
Included in share premium are reserves resulting from the amount subscribed for issued capital in excess of nominal value.

(b) Capital reserve
Capital reserve comprises mainly the difference arising from changes in ownership interests in subsidiaries which do not result in change of control.

(c) Revaluation reserve
The property revaluation reserve arose from the transfer of owner-occupied properties to investment properties at the date of change in use.

(d) Statutory reserve
In accordance with the PRC Company Law and the articles of association of the Company, the Company is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Company, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after this conversion is not less than 25% of the registered capital of the Company. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Hedging reserve
Hedging reserve arose from the effective portion of the gain or loss on the hedging instrument.

(f) Fair value reserve of FVOCI
Fair value reserve of FVOCI arose from the revaluation of equity investment designed at fair value through other comprehensive income.

38. SHARE-BASED PAYMENTS

In July 2014, the Company issued a total of 138.8 million new shares at an issue price of RMB7.36 per share to 61 individuals, for a total consideration of RMB1,022 million. The issuance of new shares to the 32 individuals who are employees of the Group, the Parent and the Company's fellow subsidiaries, totalling 75.2 million shares, was considered as compensations for their services and accounted for as equity-settled share-based payment transactions. The fair value of the shares granted to the employees of the Parent and the Company's fellow subsidiaries was amortised and recognised as a deemed distribution over the vesting period. If any of the 32 individuals cease to be employees of the Group, the Parent and the Company's fellow subsidiaries in the vesting period, the shares granted shall be transferred to Mr. Wang Jianlin. Such transfer was considered as right issue to shareholders and was treated as a transaction between shareholders.

In 2019, the Group recognised a net share-based payment expense of RMB38 million (2018: RMB29 million), including amortisation of a share-based payment expense of RMB38 million (2018: RMB40 million) and no reversal (2018: RMB11 million) for resigned employees of the Group. The Group recognised a net decrease in retained profits of RMB14 million (2018: RMB3 million), including a deemed distribution of RMB14 million (2018: RMB21 million) and no reversal (2018: RMB18 million) for resigned employees of the Parent and the Company's fellow subsidiaries. During the year, 3.2 million (2018: Nil) were exercised due to satisfaction of service conditions, no shares (2018: 3.2 million shares) were forfeited because of the resigned employees, and the Company had restricted shares outstanding amounting to 20.4million (2018: 23.6 million), which represented approximately 0.5% (2018:0.5%) of shares in issue at the end of year.

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The following tables illustrate the summarised financial information of the subsidiaries that have material non-controlling interests ("NCI"). The amounts disclosed are before any inter-company eliminations:

Sanming Wanda Plaza Investment Co., Ltd., Lu'an Wanda Plaza Investment Co., Ltd., Huzhou Wanda Investment Co., Ltd., Haikou Wanda Plaza Investment Co., Ltd. and Foshan Sanshui Wanda Real Estate Co., Ltd. (collectively referred to as "Light Asset Package No.2")

As set out in note 1, the equity interests of the subsidiaries had been transferred to Wanda Wenxin according to the light asset cooperation agreements in the prior reporting period.

	2019 RMB'million	2018 RMB'million
NCI percentage	100.00%	100.00%
Current assets	375	541
Non-current assets	5,190	5,129
Current liabilities	(310)	(480)
Non-current liabilities	(517)	(485)
Accumulated balances of NCI	4,738	4,705

	2019 RMB'million	2018 RMB'million
Revenue	379	355
Total (expenses)/income	(215)	108
Profit for the year	164	463
Total comprehensive income for the year	164	463
Profit for the year allocated to NCI	164	463
Dividends paid to NCI	122	213

	2019 RMB'million	2018 RMB'million
Net cash flows from/(used in) operating activities	73	(44)
Net cash flows used in investing activities	-	(55)
Net cash flows used in financing activities	(98)	(113)
Net decrease in cash and cash equivalents	(25)	(212)

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Lianyungang Wanda Plaza Investment Co., Ltd., Binzhou Wanda Plaza Investment Co., Ltd., Yingkou Bayuquan Wanda Plaza Investment Co., Ltd., Fuyang Yingquan Wanda Plaza Investment Co., Ltd. and Yantai Wanda Plaza Investment Co., Ltd. (collectively referred to as "Light Asset Package No.3")

As set out in note 1, the equity interests of the subsidiaries had been transferred to Wanda Wenkang according to the light asset cooperation agreements in the prior reporting period.

	2019 RMB'million	2018 RMB'million
NCI percentage	100.00%	100.00%
Current assets	324	347
Non-current assets	4,865	4,887
Current liabilities	(317)	(350)
Non-current liabilities	(466)	(469)
Accumulated balances of NCI	4,406	4,415

	2019 RMB'million	2018 RMB'million
Revenue	319	307
Total (expenses)/income	(127)	166
Profit for the year	192	473
Total comprehensive income for the year	192	473
Profit for the year allocated to NCI	192	473
Dividends paid to NCI	236	250

	2019 RMB'million	2018 RMB'million
Net cash flows from/(used in) operating activities	121	(46)
Net cash flows used in investing activities	-	(33)
Net cash flows used in financing activities	(154)	(145)
Net decrease in cash and cash equivalents	(33)	(224)

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

On 31 December 2019, the Company entered into an agreements with Wanda Real Estate to dispose of Xi'an Gaoxin. The equity interests transfer of Xi’an Gaoxin was completed on February 2020, further details of which are given in note 11. As a result, assets and liabilities of Xi’an Gaoxin were classified as discontinued operations at the year end of 2019. Xi’an Gaoxin holds 60% of Jinshida's shareholders' equity.

Jinshida

	2019 RMB'million	2018 RMB'million
NCI percentage	40.00%	40.00%
Current assets	8,862	7,557
Non-current assets	109	1,573
Current liabilities	(4,759)	(4,684)
Non-current liabilities	(164)	(279)
Accumulated balances of NCI	1,619	1,667

	2019 RMB'million	2018 RMB'million
Revenue	2,834	3,571
Total expenses	(1,964)	(2,549)
Profit for the year	870	1,022
Total comprehensive income for the year	870	1,022
Profit for the year allocated to NCI	348	409
Dividends paid to NCI	396	-

	2019 RMB'million	2018 RMB'million
Net cash flows (used in)/from operating activities	(1,649)	1,745
Net cash flows from/(used in) investing activities	1,417	(46)
Net cash flows used in financing activities	(990)	(206)
Net (decrease)/increase in cash and cash equivalents	(1,222)	1,493

39. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Wanda Hotel

	2019 RMB'million	2018 RMB'million
NCI percentage	35.00%	35.00%
Current assets	6,878	7,143
Non-current assets	1,715	3,663
Current liabilities	(5,793)	(5,649)
Non-current liabilities	(433)	(2,347)
Accumulated balances of NCI	1,104	1,423

	2019 RMB'million	2018 RMB'million
Revenue	720	873
Total expenses	(1,065)	(160)
(Loss)/Profit for the year	(344)	713
Total comprehensive (loss)/income for the year	(489)	510
Loss for the year allocated to NCI	(437)	(43)
Dividends paid to NCI	-	33

	2019 RMB'million	2018 RMB'million
Net cash flows (used in)/from operating activities	(731)	3,325
Net cash flows from investing activities	156	1,114
Net cash flows from/(used in) financing activities	128	(4,279)
Net (decrease)/increase in cash and cash equivalents	(447)	160

40. DISPOSAL OF SUBSIDIARIES

Pursuant to agreements entered into between the Company and Wanda Real Estate in 2019, the Company has agreed to dispose the entire equity interests of the subsidiaries, Chengdu Pixian Wanda Plaza Investment Co., Ltd., Mianyang Jingkai Wanda Plaza Investment Co., Ltd., Nanjing Lishui Wanda Plaza Co., Ltd., Quanzhou Anxi Wanda Plaza Investment Co., Ltd., Tai'an Wanda Real Estate Property Co., Ltd., Xiangtan Wanda Plaza Investment Co., Ltd., Leshan Wanda Plaza Investment Co., Ltd., Changchun Motor City Wanda Plaza Investment Co., Ltd., Chongqing Yongchuan Wanda Plaza Investment Co., Ltd., Ziyang Wanda Plaza Investment Co., Ltd., Beijing Jingzang Jiankang Property Co., Ltd., Taiyuan Wanda Plaza Co., Ltd., Wuhan Wanda Donghu Property Co., Ltd., Kunming Wanda Plaza Investment Co., Ltd., Tongliao Wanda Plaza Investment Co., Ltd., Wuhai Wanda Plaza Investment Co., Ltd., Dalian Jingkai Wanda Plaza Investment Co., Ltd., Nanning Wanda Mall Investment Co., Ltd., Zhanjiang Wanda Plaza Real Estate Development Co., Ltd., Harbin Hanan Wanda Plaza Investment Co., Ltd., Jiamusi Wanda Plaza Investment Co., Ltd., Ma'anshan Wanda Property Co., Ltd., at total consideration of RMB6,321 million. By the end of the year, the equity transfers have been completed.

On 12 April 2019, the Company disposed of its entire equity interests in Yanji Wanda Real Estate Development Co., Ltd. to an independent third-party at a consideration of RMB50 million. On 28 May 2019, the Company disposed of its 70% of equity interests in Yantai Wanda Wenhua Hotel Management Co., Ltd. to an independent third-party at a consideration of RMB250 million. On 5 August 2019, the Company disposed of its entire equity interests in Jiamusi Wancheng Real Estate Development Co., Ltd. to an independent third-party at a consideration of RMB17 million. By the end of the year, the equity transfers have been completed.

On 3 December 2019, Panjin Wanda Plaza Property Co., Ltd. entered into an agreement with Liaoning Zhongtian Enterprise Group Co., Ltd. on the disposal of its entire equity interest in Panjin Wanda Real Estate Development Co., Ltd. at a cash consideration of RMB298 million. By the end of the year, the equity transfers have been completed.

On 13 December 2019, Wanda Hotel and Mr. Chen Chang Wei (“Mr. Chen”, who owns 47% interest in Amazing Wise Limited) entered into an agreement with Zhizun Holdings Limited (“the Purchaser”), pursuant to which Wanda Hotel has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the 53% of the issued share capital of Amazing Wise Limited, at a total consideration of HKD2,000,000. The Group completed the equity transfers on 27 December 2019, and upon the completion, Wanda Hotel no longer holds any interest in Amazing Wise Limited and its subsidiaries.

40. DISPOSAL OF SUBSIDIARIES (continued)

The following table illustrates the financial positions as at the disposal dates of the above disposal subsidiaries:

	2019 RMB'million
Net assets disposed of:	
Property, plant and equipment	1,228
Investment properties	1,818
Right-of-use assets	325
Other intangibale assets	41
Deferred tax assets	1,617
Inventories	19,516
Prepaid tax	3,118
Trade and bills receivables	140
Contract incremental assets	54
Prepayments, other receivables and other assets	12,081
Other current assets	68
Restricted cash	2,134
Cash and cash equilvalents	4,803
Deferred tax liabilities	747
Trade and bills payables	(6,626)
Other payables and accruals	(33,792)
Interest-bearing bank and other borrowings	(4,834)
Deferred income	(74)
Taxes payable	(427)
Non-controlling interests	(55)
Reclassification of exchange reserve on translation of a foreign operation	7
Total net assets	1,889
Gain on disposal of the subsidiaries recognised in other income and gains in the consolidated statement of profit or loss	5,048
Transaction expenses	(1)
Satisfied by:	
Cash consideration	6,938

An analysis of the cash flows in respect of the disposal of the subsidiaries is as follows:

	RMB'million
Cash consideration received in previous years	28
Cash consideration received in 2019	3,568
Cash and cash equivalents disposed of the subsidiaries	(4,803)
Net outflow of cash and cash equivalents In respect of the disposal of the subsidiaries	(1,207)

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,302 million and RMB1,302 million, respectively, in respect of lease arrangements for investment properties and plant and equipment (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Finance lease payables/ Lease liabilities RMB'million	Bonds and notes RMB'million	Bank and other loans RMB'million
At 31 December 2018	3,606	90,619	98,070
Effect of adoption of IFRS 16	3,793	-	-
At 1 January 2019 (restated)	7,399	90,619	98,070
Changes from financing cash flows	(562)	(7,425)	5,684
New leases	1,302	-	-
Foreign exchange movement	14	60	103
Interest expense	354	134	-
Attributable to held for sale	(4)	-	(876)
Disposal of subsidiaries (note 40)	(2)	-	(4,832)
At 31 December 2019	8,501	83,388	98,149

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

2018

	Finance lease payables RMB'million	Bonds and notes RMB'million	Bank and other loans RMB'million
At 1 January 2018	2,905	94,411	114,604
Changes from financing cash flows	(183)	(4,133)	(16,634)
New finance lease	696	-	-
Foreign exchange movement	-	208	637
Interest expense	188	133	-
Disposal of subsidiaries	-	-	(537)
At 31 December 2018	3,606	90,619	98,070

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'million
Within operating activities	(735)
Within investing activities	-
Within financing activities	(562)
	(1,297)

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for were as follows:

	2019 RMB'million	2018 RMB'million
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	11,700	38,456

The Group provided guarantees in respect of the mortgage facilities granted by certain banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantee arrangements, in case of default on mortgage payments by the purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee periods commence from the dates of grant of the relevant mortgage loans and end upon the earlier of (i) the satisfaction of the mortgage loan by the purchaser of the property and (ii) the issuance of a property ownership certificate for the mortgaged property, which is generally available within six months to one year after the purchaser takes possession of the relevant property.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to the purchasers of the Group's properties. The Directors consider that in case of default on payments, the net realisable values of the related properties can cover the repayments of the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

43. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'million	2018 RMB'million
Contracted, but not provided for:		
Buildings, plant and machinery	8,658	28,283
	8,658	28,283

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its investment properties, buildings, internet cables, motor vehicles and others under operating lease arrangements. Leases for investment properties were negotiated for terms ranging from 20 to 40 years, buildings are were negotiated for terms ranging from 1 to 11 years, internet cables generally have lease terms between 1 and 12 years and those for motor vehicles are were for terms ranging between 1 and 2 years. Leases for others were with terms of 12 months or less.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'million
Within one year	271
In the second to fifth years inclusive	1,407
After five years	4,371
	6,049

(c) The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are RMB2 million due within one year, RMB460 million due in the second to fifth years, inclusive and RMB2,580 million due after five years.

44. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

	2019 RMB'million	2018 RMB'million
The Parent:		
Rendering of services*	2	2
Rental income	7	7
Fellow subsidiaries:		
Purchase of goods	4	1
Purchase of services*	71	71
Purchase of assets	268	46
Acquisition of equity interests	2,541	1,600
Rendering of services*	451	366
Rental income	547	469
Disposal of properties**	1,073	-
Disposal of income right**	131	-
Disposal of equity interests**	6,321	6,598
Companies controlled by the ultimate controlling shareholder:		
Purchase of goods	-	3
Purchase of services*	-	118
Purchase of assets	-	38
Rendering of services*	200	274
Rental income	353	945
A joint venture:		
Purchase of services*	34	2
Rental income	1	-

Transactions related to goods, services and rental services were made according to the published prices and conditions offered to the major customers of the Group. The disposal of the subsidiaries were made according to either the fair values determined by valuation report or the sales prices agreed by counterparties.

* These transactions with related parties mainly include property management service, design and other services.

** According to the decision of the Company's board of directors to complete the divestment of the sale of properties business in 2019, the Group will no longer engage in properties development business in the future, the Group transferred all remaining properties and subsidiaries engaged in properties development to Wanda Real Estate at the end of 2019.

44. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	2019 RMB'million	2018 RMB'million
Trade receivables due from		
Fellow subsidiaries	59	44
Companies controlled by the ultimate controlling shareholder and a close family member	-	8
Other receivables due from		
Fellow subsidiaries	5,299	2
Companies controlled by the ultimate controlling shareholder	-	1
Trade payables due to		
Fellow subsidiaries	2	13
Companies controlled by the ultimate controlling shareholder	-	4
Other payables due to		
The Parent	26	2
Fellow subsidiaries	242	69
Companies controlled by the ultimate controlling shareholder	23	147
Contract liabilities		
The Parent	43	27
Companies controlled by the ultimate controlling shareholder	55	105

The above balances are unsecured, interest-free and has no fixed terms of repayment.

44. RELATED PARTY TRANSACTIONS (continued)

(c) Guarantees provided by related parties

	2019 RMB'million	2018 RMB'million
Transactions:		
Guarantees provided by the Parent and the ultimate controlling shareholder for the Group's bank and other borrowings	2,895	2,453
Guarantees provided by the Fellow subsidiaries for the Group's bank and other borrowings	69	-
Balance:		
Outstanding balances of the guaranteed loans	1,080	1,343

(d) Guarantees provided for related parties

	2019 RMB'million	2018 RMB'million
Transactions:		
Guarantees provided for the Fellow subsidiaries for the Group's bank and other borrowings	4,500	-
Balance:		
Outstanding balances of the guaranteed loans	3,418	-

Details of guarantees provided for the Fellow subsidiaries are the guarantees of borrowings provided by the Company. As at 31 December 2019, WuHan DongHu Wanda Property Co., Ltd. ("WuHan DongHu"), were provided with guarantees of borrowings from China Development Bank Co., Ltd. Hubei Branch, the Export-Import Bank of China Hubei Branch, Shanghai Pudong Development Bank Co., Ltd. Wuhan Branch, Bank of China Wuhan Qingshan sub branch. The above transactions of RMB 4,500 million were the total amount of borrowing contracts, and the balances of RMB 3,418 million were the borrowing balances as at 31 December 2019.

44. RELATED PARTY TRANSACTIONS (continued)

(e) Deposits in related parties

	2019 RMB'million	2018 RMB'million
Deposits balance in:		
A fellow subsidiary	16	7

Part of rents, utilities and other fees of the shopping mall rent out are traded via Kuaiqian Payment Platform, which is operated by Kuaiqian Payment and Settlement Service Co., Ltd. (a fellow subsidiary of the Company). As at 31 December 2019, the deposits balance in Kuaiqian Payment and Settlement Service Co., Ltd. is RMB16 million (2018: RMB7 million).

(f) Compensation of key management personnel of the Group

	2019 RMB'million	2018 RMB'million
Salaries and allowances	66	100
Performance related bonuses	27	47
Pension scheme contributions	-	1
Shard-based payments	15	15
Post-employment benefits	2	-
Total compensation paid to key management personnel	110	163

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	FVOCI	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition RMB'million	Mandatorily designated as such RMB'million	Financial assets at atmortised cost RMB'million	Total RMB'million
Equity investments at fair value through other comprehensive income	987	-	-	987
Long-term receivables	-	-	262	262
Other non-current assets	-	-	2,733	2,733
Financial assets at fair value through profit or loss	-	7,000	-	7,000
Trade and bills receivables	-	-	695	695
Contract assets	-	-	13	13
Financial assets included in prepayments, other receivables and other assets	-	-	9,731	9,731
Other current assets	-	-	31,740	31,740
Restricted cash	-	-	982	982
Cash and cash equivalents	-	-	64,757	64,757
	987	7,000	110,913	118,900

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Mandatorily Designated as such RMB'million	Financial liabilities at amortised cost RMB'million	Total RMB'million
Trade and bills payables	-	16,344	16,344
Financial liabilities included in other payables and accruals	-	17,707	17,707
Interest-bearing bank and other borrowings	-	106,650	106,650
Dividend payables	-	46	46
Bonds and notes	-	83,388	83,388
	-	224,135	224,135

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2018

Financial assets

	FVOCI	Financial assets at fair value through profit or loss		
	Designated as such upon initial recognition RMB'million (Restated)	Mandatorily designated as such RMB'million (Restated)	Financial assets at atmortised cost RMB'million (Restated)	Total RMB'million (Restated)
Equity investments designated at fair value through other comprehensive income	2,560	-	-	2,560
Long-term receivables	-	-	407	407
Other non-current assets	-	-	3,702	3,702
Financial assets at fair value through profit or loss	-	16,866	-	16,866
Trade and bills receivables	-	-	810	810
Financial assets included in prepayments, other receivables and other assets	-	-	6,469	6,469
Other current assets	-	-	23,100	23,100
Restricted cash	-	-	5,917	5,917
Cash and cash equivalents	-	-	77,362	77,362
	2,560	16,866	117,767	137,193

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial	
	Mandatorily Designated as such RMB'million (Restated)	liabilities at amortised cost RMB'million (Restated)	Total RMB'million (Restated)
Trade and bills payables	-	34,695	34,695
Financial liabilities included in other payables and accruals	-	27,141	27,141
Interest-bearing bank and other borrowings	-	101,676	101,676
Dividend payables	-	35	35
Bonds and notes	-	90,619	90,619
	-	254,166	254,166

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 RMB'million	31 December 2018 RMB'million	31 December 2019 RMB'million	31 December 2018 RMB'million
Financial assets				
Equity investments designated at fair value through other comprehensive income	987	2,560	987	2,560
Financial assets at fair value through profit or loss	7,000	16,866	7,000	16,866
	7,987	19,426	7,987	19,426
Financial liabilities				
Bonds and notes, non-current portion	43,543	78,633	45,995	81,182
Obligation under finance leases non-current portion	-	3,520	-	3,283
Interest-bearing bank borrowings non-current portion	85,895	86,514	86,537	86,539
Other borrowings (other than lease liabilities) non-current portion	4,312	849	4,840	859
	133,750	169,516	137,372	171,863

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, long-term receivables, other current assets, other non-current assets, trade and bills payables, dividend payables, financial liabilities included in other payables and accruals and the current portion of bonds and notes, interest bearing bank and other borrowings and obligation under finance leases approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and bonds and notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average EV/EBIT multiple of peers	2019: 1.8 to 55.6 (2018: 2.7 to 11.0)	1% (2018:1%) increase/decrease in multiple would result in increase/ decrease in fair value by RMB1 million (2018: RMB12 million)
		Average EV/S multiple of peers	2019: 0.5 to 4.5 (2018: 2.1 to 5.1)	
		Average P/B multiple of peers	2019: 0.7 to 1.3 (2018: 0.3 to 1.4)	
		Discount for lack of marketability	2019: 20% to 36% (2018:15% to 30%)	1% (2018:1%) increase/decrease in discount would result in decrease/ increase in fair value by RMB2 million (2018: RMB9 million)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Equity investments designated at fair value through other comprehensive income	-	-	987	987
Financial assets at fair value through profit or loss	-	-	7,000	7,000
	-	-	7,987	7,987

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Equity investments designated at fair value through other comprehensive income	-	-	2,560	2,560
Financial assets at fair value through profit or loss	-	-	16,866	16,866
	-	-	19,426	19,426

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy (continued)
The movements in fair value measurements within Level 3 during the year are as follows:

	2019 RMB'million	2018 RMB'million
Equity investments at fair value through other comprehensive income – unlisted:		
At 1 January	2,560	4,954
Total losses recognised in other comprehensive income	(1,114)	(1,002)
(Disposals)/Purchases	(755)	1,167
The remaining 9% equity interest investments of Chongqing Wanda City, at fair value	-	366
Attributable to held for sale	-	(2,925)
Reclassification	296	-
At 31 December	987	2,560

	2019 RMB'million	2018 RMB'million
Financial assets at fair value through profit or loss – unlisted:		
At 1 January	16,866	23,129
Purchases/(Disposals)	370	(6,263)
Reclassification	(10,236)	-
At 31 December	7,000	16,866

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AND LIABILITIES (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Bonds and notes, non-current portion	-	-	45,995	45,995
Interest-bearing bank borrowings non-current portion	-	-	86,537	86,537
Other borrowings (other than lease liabilities) non-current portion	-	-	4,840	4,840
	-	-	137,372	137,372

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'million	Significant observable inputs (Level 2) RMB'million	Significant unobservable inputs (Level 3) RMB'million	Total RMB'million
Bonds and notes, non-current portion	-	-	81,182	81,182
Interest-bearing bank borrowings non-current portion	-	-	86,539	86,539
Other borrowings, non-current portion	-	-	859	859
Obligation under a finance lease, non-current portion	-	-	3,283	3,283
	-	-	171,863	171,863

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, bonds and notes and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

If interest rates had been 100 basis points higher and all other variables are held constant, the Group's interest charge would have increased by approximately RMB968 million for the year ended 31 December 2019 (2018: RMB1,037 million). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank and other borrowings.

(b) Foreign currency risk

The Group's main business are principally conducted in RMB and the Group continuously monitors the risk of foreign currency fluctuations faced by overseas investment entities to minimize the foreign currency risks.

(c) Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposited with reputable overseas banks and state-owned banks in Mainland China. The carrying amounts of the trade and bills receivables, other receivables, restricted cash, cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk. The Group has arranged bank financing for certain purchasers of its properties and has provided guarantees to secure the obligations of these purchasers for repayments.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Maximum exposure and year-end staging
The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'million	Stage 2 RMB'million	Stage 3 RMB'million	Simplified approach RMB'million	Total RMB'million
Equity investments designated at fair value through other comprehensive income	987	-	-	-	987
Long-term receivables	262	-	-	-	262
Other non-current assets	2,733	-	-	-	2,733
Trade and bills receivables*	-	-	-	741	741
Contract assets	-	-	-	13	13
Financial assets included in prepayments, other receivables and other assets					
- Normal**	11,060	-	-	-	11,060
- Doubtful**	-	-	-	-	-
Other current assets	31,740	-	-	-	31,740
Restricted cash					
- Not yet past due	982	-	-	-	982
Cash and cash equivalents					
- Not yet past due	64,757	-	-	-	64,757
	112,521	-	-	754	113,275

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information is disclosed in note2.4 to the financial statements, respectively.
** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'million (Restated)	Stage 2 RMB'million (Restated)	Stage 3 RMB'million (Restated)	Simplified approach RMB'million (Restated)	Total RMB'million (Restated)
Equity investments designated at fair value through other comprehensive income	2,560	-	-	-	2,560
Long-term receivables	407	-	-	-	407
Other non-current assets	3,702	-	-	-	3,702
Trade and bills receivables*	-	-	-	823	823
Financial assets included in prepayments, other receivables and other assets					
- Normal**	6,836	-	-	-	6,836
- Doubtful**	-	-	-	-	-
Other current assets	23,100	-	-	-	23,100
Restricted cash					
- Not yet past due	5,917	-	-	-	5,917
Cash and cash equivalents					
- Not yet past due	77,362	-	-	-	77,362
	119,884	-	-	823	120,707

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information is disclosed in note2.4 to the financial statements, respectively.
** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and lease liabilities (2018: finance leases).

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2019				
	Less than 1 year RMB'million	1 to 2 years RMB'million	2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million
Lease liabilities	819	746	2,024	13,183	16,772
Interest-bearing bank and other borrowings (excluding lease liabilities)	12,984	14,693	47,894	54,112	129,683
Trade and bills payables	16,344	-	-	-	16,344
Other payables and accruals	17,707	-	-	-	17,707
Bonds and notes	42,999	37,624	3,393	4,152	88,168
	90,853	53,063	53,311	71,447	268,674

	As at 31 December 2018				
	Less than 1 year RMB'million (Restated)	1 to 2 years RMB'million (Restated)	2 to 5 years RMB'million (Restated)	Over 5 years RMB'million (Restated)	Total RMB'million (Restated)
Obligation under finance leases	268	211	630	6,674	7,783
Interest-bearing bank and other borrowings	15,633	16,052	50,219	45,838	127,742
Trade and bills payables	34,695	-	-	-	34,695
Other payables and accruals	27,141	-	-	-	27,141
Bonds and notes	15,999	40,837	38,348	3,948	99,132
	93,736	57,100	89,197	56,460	296,493

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the reporting periods.

The Group monitors capital using the gearing ratio and the debt-to-asset ratio. The gearing ratio is defined as net debt divided by capital. Net debt represents interest-bearing bank and other borrowings plus bonds and notes plus obligation under finance leases less cash and cash equivalents and restricted cash. Capital represents total equity. The debt-to-asset ratio is total liabilities net of advance from customers divided by total assets. The gearing ratios at the end of the reporting period were as follows:

	31 December 2019 RMB'million	1 January 2019 RMB'million	31 December 2018 RMB'million (Restated)
Interest-bearing bank and other borrowings	106,650	105,469	101,676
Bonds and notes	83,388	90,619	90,619
Less:			
Cash and cash equivalents	(64,757)	(77,362)	(77,362)
Restricted cash	(982)	(5,917)	(5,917)
Net debt	124,299	112,809	109,016
Total equity	277,313	264,730	264,730
Gearing ratio	44.8%	42.6%	41.2%

The debt-to-asset ratios at the end of the reporting period were as follows:

	31 December 2019 RMB'million	1 January 2019 RMB'million	31 December 2018 RMB'million
Total liabilities	303,589	365,841	361,232
Less:			
Advance from customers	(5,561)	(4,284)	(4,284)
Contract liabilities	(2,718)	(44,106)	(44,106)
	295,310	317,451	312,842
Total assets	580,902	630,571	625,962
Debt-to-asset ratio	50.8%	50.3%	50.0%

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

Note: The Group has adopted IFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group’s net debt and hence the Group’s gearing ratio increased from 41.2% to 42.6% on 1 January 2019 when compared with the position as at 31 December 2018.

48. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to agreements entered into between the Company and its related party, Wanda Real Estate Group Co., Ltd. and its subsidiary in 2020, the Company has agreed to acquire the entire equity interests of the subsidiaries, Taishan Wanda Commercial Investment Co., Ltd., Shenyang Qixing Wanda Real Estate Development Co., Ltd., Wutong Gaowang Wanda Investment Co., Ltd., and Renshou Wanda Management Co., Ltd., at a total consideration of RMB42 million. The Company need repay the shareholder borrowings on behalf of the target companies for the amount of RMB421 million. The transaction has been completed as at the date of this report.

(b) On 31 December 2019, the Company entered into an agreements with Wanda Real Estate Group Co., Ltd. on the disposal of its entire equity interests of Xi'an Gaoxin Wanda Plaza Co., Ltd., at a total consideration of RMB263 million. The equity interests transfer has not been completed and the assets and liabilities of Xi’an Gaoxin were classified as discontinued operations at the year end of 2019. The transaction was completed on February 2020.

(c) On 23 January 2020, a subsidiary of the Group issued guaranteed bonds with a due date in July 2023 in an aggregate principal amount of USD400 million. The bonds was applied for listing in the Stock Exchange of Hong Kong Limited and was jointly guaranteed by Wanda HK and other wholly-owned subsidiaries by the Company. The Company promised to keep well and purchased equity interest and signed the subscription agreement, a keepwell deed, a deed of equity interest purchase, a trust deed, the agency agreement and other all necessary agreements or files related to issue the bonds. The Bonds bear interest at a rate of 6.875% per annum, payable in arrears half-yearly on 23 January and 23 July in each year, commencing on 23 July 2020.

(d) Due to the effect of the Corona Virus Disease 2019 (“COVID-19”), some Wanda Plazas has been temporarily closed in order to comply with the government's regulatory policies since 24 January 2020 and the Group responded to the government's request to resume operation of shopping mall step by step. To take on social responsibility, the policy of rent free and deferred payment was put forward by the Group to help all tenants of 324 opened Wanda Plazas to take over the tough period from 25 January 2020 to 29 February 2020. After the resumption of the operating, the tenants sufferring from cash flow distress can apply to the Group for extension of the payments of rents and property management fees of March and April 2020. For the tenants with major business difficulties, the payment can be extended up to the end of December 2020. The above measures may have a certain impact on the Group's revenue and profit in 2020. The epidemic may also have the effects of reduced customer traffic and fluctuations in tenant operations, which may cause uncertainty to the Group's future operating performance.

49. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

As further explained in note 2.2 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2020.

Ernst & Young
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Central, Hong Kong

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INDEPENDENT AUDITOR'S REPORT

To the member of Wanda Commercial Properties (Hong Kong) Co. Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Wanda Commercial Properties (Hong Kong) Co. Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 101, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To the member of Wanda Commercial Properties (Hong Kong) Co. Limited
(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Fair value of investment properties	
As at 31 December 2020, the carrying amount of investment properties, which were stated at fair value, was approximately RMB3,738 million. Management engages an external valuer to support its determination of the fair value of the investment properties. The valuation of the investment properties is highly dependent on estimates and assumptions, such as prevailing monthly market rents, prevailing market prices, the reversionary yield, capitalisation rates, occupancy rates and market knowledge. The use of different estimates and assumptions could result in significantly different fair values. The disclosures about investment properties are included in note 2.4 "summary of significant accounting policies", note 3 "significant accounting judgements and estimates" and note 13 "investment properties" to the consolidated financial statements.	Our audit procedures included, among others, assessing the competence, capabilities and objectivity of the external valuer; reviewing the valuation report and holding discussion with management and the valuer to understand and assess the relevance and appropriateness of the valuation basis, methodology used and underlying assumptions applied; and obtaining and verifying the underlying data including comparable market transactions used by the valuer. We also involved our internal valuation specialists to assist us in evaluating the assumptions and methodologies used and assessing the reasonableness of data used in the valuation report, by comparing the prevailing monthly market rents, prevailing market prices, reversionary yield, capitalisation rates, occupancy rates with comparative cases in active markets. Moreover, we assessed the adequacy of the related disclosures in the consolidated financial statements.

Information other than the consolidated financial statements and auditor's report thereon
The sole director of the Company is responsible for the other information. The other information comprises the information included in the sole director's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To the member of Wanda Commercial Properties (Hong Kong) Co. Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the sole director for the consolidated financial statements
The sole director of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the sole director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the sole director of the Company is responsible for assessing the Group's ability to continue as a going concerotaln, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the sole director of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the sole director.
- Conclude on the appropriateness of the sole director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To the member of Wanda Commercial Properties (Hong Kong) Co. Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the sole director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the sole director with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with him all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the sole director, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Certified Public Accountants
Hong Kong
26 March 2021

	Notes	2020 RMB'000	2019 RMB'000
CONTINUING OPERATIONS			
Revenue	5	708,970	860,032
Cost of sales		(240,263)	(261,357)
Gross profit		**468,707**	**598,675**
Other income and gains, net	6	377,071	76,375
Net valuation loss on investment properties	13	(55,196)	(623,270)
Selling expenses		(32,902)	(33,528)
Administrative expenses		(154,921)	(203,554)
Finance costs	8	(764,378)	(511,617)
Loss before tax from continuing operations	7	**(161,619)**	**(696,919)**
Income tax (expense)/credit	10	(49,038)	30,003
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(210,657)	(666,916)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	11	114,210	(1,049,672)
Loss for the year		(96,447)	(1,716,588)
Attributable to:			
Owners of the parent		(164,911)	(1,361,771)
Non-controlling interests		68,464	(354,817)
		(96,447)	(1,716,588)

	Note	2020 RMB'000	2019 RMB'000
Loss for the year		(96,447)	(1,716,588)
Other comprehensive income/(loss)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		568,483	(163,602)
Reclassification adjustments for a foreign operation disposed of during the year	29	4,511	8,855
		572,994	(154,747)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of the Company		(254,893)	48,355
Other comprehensive income/(loss) for the year, net of tax		318,101	(106,392)
Total comprehensive income/(loss) for the year		221,654	(1,822,980)
Attributable to:			
Owners of the parent		134,034	(1,437,210)
Non-controlling interests		87,620	(385,770)
		221,654	(1,822,980)

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	112,701	124,164
Investment properties	13	3,738,000	3,793,000
Right-of-use assets	14(a)	349,257	266,951
Other intangible assets	15	13,224	9,541
Goodwill	16	286,751	286,751
Loans to related parties	20	745,134	-
Long-term receivable	20	1,340,669	253,890
Deferred tax assets	17	34,476	13,390
Total non-current assets		6,620,212	4,747,687
CURRENT ASSETS			
Trade and bill receivables	18	304,684	197,559
Contract assets	19	18,910	12,990
Pepayments, other receivables and other assets	20	3,435,947	3,625,386
Income tax recoverable		586	-
Pledged deposits	21	400	400
Cash and cash equivalents	21	7,625,395	7,512,739
		11,385,922	11,349,074
Assets classified as held for sale	11	-	4,474,811
Total current assets		11,385,922	15,823,885
CURRENT LIABILITIES			
Trade and other payables	22	4,930,342	6,531,380
Contract liabilities	23	29,357	31,769
Receipts in advance		29,097	47,787
Loans from financial institutions	24	261,492	70,000
Lease liabilities	14(b)	19,956	10,590
Guaranteed bond	25	211,996	2,086,477
Tax payable		32,135	106,457
		5,514,375	8,884,460
Liabilities directly associated with the assets classified as held for sale	11	-	1,307,626
Total current liabilities		5,514,375	10,192,086
NET CURRENT ASSETS		5,871,547	5,631,799
TOTAL ASSETS LESS CURRENT LIABILITIES		12,491,759	10,379,486

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	24	515,000	764,523
Contract liabilities	23	48,107	23,888
Guaranteed bond	25	9,048,685	6,845,397
Lease liabilities	14(b)	356,669	262,153
Deferred tax liabilities	17	396,939	394,750
Other non current liabilities		4,672	6,327
Total non-current liabilities		10,370,072	8,297,038
Net assets		2,121,687	2,082,448
EQUITY			
Equity attributable to owners of the parent			
Issued capital	26	-	-
Accumulated losses		(4,166,815)	(4,001,904)
Other reserves	27	5,243,319	4,944,374
		1,076,504	942,470
Non-controlling interests		1,045,183	1,139,978
Total equity		2,121,687	2,082,448

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Qi Jie
Sole Director

	Attributable to owners of the parent						
	Issued capital RMB'000 note 26	Capital reserve RMB'000 note 27	Exchange fluctuation reserve RMB'000 note 27	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	-	2,855,274	(32,964)	(2,640,133)	182,177	1,516,856	1,699,033
Loss for the year	-	-	-	(1,361,771)	(1,361,771)	(354,817)	(1,716,588)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	(84,294)	-	(84,294)	(30,953)	(115,247)
Reclassification adjustments for a foreign operation disposed of during the year	-	-	8,855	-	8,855	-	8,855
Total comprehensive income/(loss) for the year	-	-	(75,439)	(1,361,771)	(1,437,210)	(385,770)	(1,822,980)
Capital injection from owners of the parent	-	2,197,503	-	-	2,197,503	-	2,197,503
Disposal of subsidiaries	-	-	-	-	-	8,892	8,892
As at 31 December 2019	-	5,052,777*	(108,403)*	(4,001,904)	942,470	1,139,978	2,082,448

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	Attributable to owners of the parent						
	Issued capital RMB'000 note 26	Capital reserve RMB'000 note 27	Exchange fluctuation reserve RMB'000 note 27	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2020	-	5,052,777	(108,403)	(4,001,904)	942,470	1,139,978	2,082,448
Profit/(loss) for the year	-	-	-	(164,911)	(164,911)	68,464	(96,447)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	294,434	-	294,434	19,156	313,590
Reclassification adjustments for a foreign operation disposed of during the year	-	-	4,511	-	4,511	-	4,511
Total comprehensive income/(loss) for the year	-	-	298,945	(164,911)	134,034	87,620	221,654
Disposal of subsidiaries	-	-	-	-	-	(182,415)	(182,415)
As at 31 December 2020	-	5,052,777*	190,542*	(4,166,815)	1,076,504	1,045,183	2,121,687

* These reserve accounts comprise the consolidated other reserves of RMB5,243,319,000 (2019: RMB4,944,374,000) in the consolidated statement of financial position.

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax			
From continuing operations		(161,619)	(696,919)
From discontinued operations		114,210	(899,933)
Adjustments for:			
Finance costs		764,394	544,830
Bank Interest Income		(19,914)	(11,037)
Other interest income from financial assets at fair value through profit or loss		(11,397)	(6,551)
Interest income on long-term receivables		(37,649)	(13,383)
Depreciation of property, plant and equipment	12	5,994	14,144
Depreciation of right-of-use assets	14	28,464	21,524
Impairment of property, plant and equipment		-	736
Impairment of completed properties held for sale		-	3,997
(Gain)/loss on disposal of subsidiaries	29	(139,841)	75,049
Amortisation of other intangible assets	15	1,361	829
Loss on disposal of items of property, plant and equipment		4	305
Gain on deregistration of subsidiaries		(13,981)	-
Impairment/(reversal of impairment) of trade receivables, other receivables and contract assets		(190,926)	967,728
Fair value loss of investment properties	13	55,196	623,270
Decrease in properties under development and completed properties held for sale		(673,623)	181,580
Decrease/(increase) in prepaid tax		(586)	111,136
Decrease/(increase) in trade and bill receivables		(107,125)	59,315
(Increase)/decrease in prepayments and other receivables		118,169	(392,091)
Increase in contract assets		(5,920)	(13,038)
(Increase)/decrease in contract incremental cost		(128)	546
Decrease in receipts in advance		(18,690)	(30,966)
Decrease in contract liabilities		(21,807)	(559,830)
Decrease in trade payables, other payables and accruals		(491,769)	(1,205,282)
Cash used in operations activities		**(807,183)**	**(1,224,041)**
Interest paid		-	(8,613)
Tax paid		(244,109)	(254,281)
Net cash flows used in operating activities		**(1,051,292)**	**(1,486,935)**

	Note	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(241,715)	(265,143)
Purchases of investment properties		(223)	-
Interest received		31,311	30,971
Increase in time deposits with maturity of more than three months		-	(200,000)
Decrease in restricted bank deposits		3,076	8,642
Disposal of subsidaries	29	1,816,441	290,311
Proceeds received on debt collection from buyer on behalf of the disposed subsidiaries		1,240,234	833,541
Proceeds from disposal of investment properties		-	89,132
Increase in loan to related parties		(744,167)	-
Proceeds from disposal of items of property, plant and equipment		56	431
Net cash flows from investing activities		**2,105,013**	**787,885**
Cash flows from financing activities			
Increase in an amount due to an immediate holding company		(841,695)	-
Proceeds from Guaranteed bonds		2,671,745	4,788,142
Proceeds from bank loans and other borrowings		2,489,983	347,941
Repayment of Guaranteed bonds		(2,025,180)	-
Repayment of bank loans and other borrowings		(2,374,913)	(1,318,436)
Principal portion of lease payments		(17,482)	(15,313)
Interest paid		(789,398)	(406,547)
Net cash flows (used in)/from financing activities		**(886,940)**	**3,395,787**
Net increase in cash and cash equivalents		**166,781**	**2,696,737**
Cash and cash equivalents at the beginning of year		7,338,260	4,587,167
Effect of foreign exchange rate changes, net		(79,646)	54,356
Cash and cash equivalents at the end of year		**7,425,395**	**7,338,260**

	Note	2020 RMB'000	2019 RMB'000
Analysis of balances of cash and cash equivalents			
Cash and bank balances	21	7,164,153	7,313,139
Time deposits	21	461,642	200,000
Less: Restricted cash and pledged deposits	21	(400)	(400)
Cash and cash equivalents as stated in the consolidated statement of financial position		7,625,395	7,512,739
Cash and cash equivalents included in assets classified as held for sale		-	25,521
Less: time deposits with maturity of more than three months when acquired		(200,000)	(200,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows		7,425,395	7,338,260

1. Corporate and group information

Wanda Commercial Properties (Hong Kong) Co. Limited ("the Company") is a limited liability company incorporated in Hong Kong under the Hong Kong Companies Ordinance on 6 February 2013. The registered office address of the Company is located at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in property development, property investment and property management, hotel operation and management, hotel design and construction management services in the People's Republic of China (the "PRC") and overseas during the year.

In the opinion of the Company's sole director (the "Director"), the immediate holding company of the Company is Dalian Wanda Commercial Management Group Co., Ltd. ("Dalian Wanda"), a company established in the PRC and the ultimate holding company of the Company is Dalian Hexing Investment Company Limited, a company established in the PRC.

Information about subsidiaries
Particulars of the Company's principal subsidiaries are as follows:

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Wanda Properties Overseas Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Group Americas, LLC	USA	-	100%	-	Investment holding
Wanda 717 Fifth Avenue LLC	USA	-	-	100%	Dormant
Wanda Commercial Properties First Investment Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties First Investment (Hong Kong) Limited	HK	HK$1	-	100%	Investment holding
Panjin Wanda Commercial Plaza Co., Ltd (note i)	PRC	RMB 1,800,000,000	-	100%	Property development
Wanda Properties International Co. Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Second Investment Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Second Investment (Hong Kong) Limited	HK	HK$1	-	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)
Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shiyan Wanda Commercial Co., Ltd (note i)	PRC	RMB 1,700,000,000	-	100%	Property development
Wanda Los Angeles Real Estate Investment Co., Limited	HK	HK$1	100%	-	Investment holding
Wanda Properties Global Co. Ltd.	BVI	US$ 1	100%	-	Investment holding
Wanda Real Estate Investments Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Overseas Limited	BVI	US$1	-	100%	Investment holding
#Wanda Hotel Development Company Limited	Bermuda	HK$100	-	65.04%	Investment holding
# Wanda Properties Investment Limited	BVI	100 ordinary shares of US$0.01 each	49%	51%	Investment holding
# Wanda Commercial Properties Investment Co., Limited	HK	HK$1	-	100%	Investment holding
# Guilin Gaoxin Wanda Plaza Co., Ltd. (note i)	PRC	US$ 180,000,000	-	100%	Property development
# Wanda Americas Real Estate Investment Co., Ltd.	HK	HK$1	40%	60%	Investment holding
# Wanda Americas Commercial Properties Co., Ltd.	USA	1,000 ordinary shares of US$0.1 each	-	100%	Investment holding
# Wanda Chicago Real Estate LLC	USA	US$10	-	100%	Investment holding
# Wanda Australia Real Estate Investment Co., Ltd.	HK	HK$1	40%	60%	Investment holding
# Wanda Hotel Management (HK) Co. Ltd.	HK	US$1	-	100%	Property management

1. Corporate and group information (continued)

Information about subsidiaries (continued)
Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
#Wanda Hotel Management (Shanghai) Co. Ltd. (note i)	PRC	US$ 10,000,000	-	100%	Hotel management
# Horgos Wanda Engineering Construction Management Consulting Company Limited	PRC	RMB 10,000,000	-	100%	Construction consulting
# Wanda Engineering Management Consulting Co. Limited	PRC	RMB50,000,000	-	100%	Construction consulting
# Wanda Moment Shanghai Qingpu Co., Ltd.	PRC	RMB 10,000,000	-	100%	Hotel operation
# Wanda Moment Nanchang West Train Station Co., Ltd.	PRC	RMB 10,000,000	-	100%	Hotel operation
# Wanda Moment Ningbo Co., Ltd.	PRC	RMB 10,000,000	-	100%	Hotel operation
# Wanda Jin Wuxi International Co., Ltd.	PRC	RMB10,000,000	-	100%	Hotel operation
# Wanda Moment Changzhi Co., Ltd.	PRC	RMB10,000,000	-	100%	Hotel operation
#Wanda Shanghai Wantao Trading Co., Ltd.	PRC	RMB 10,000,000	-	100%	Sale of goods
#Wanda Xiamen Wandefu Catering Management Co., Ltd.	PRC	RMB 10,000,000	-	100%	Sale of goods
# Wanda Baise Wandefu Catering Management Co., Ltd.	PRC	RMB5,000,000	-	100%	Sale of goods
# Wanda Taizhou Jingdefu Catering Management Co., Ltd.	PRC	RMB5,000,000	-	100%	Sale of goods

1. Corporate and group information (continued)

Information about subsidiaries (continued)
Particulars of the Company's principal subsidiaries are as follows: (continued)

Notes:
i These entities are wholly-foreign-owned enterprises established in the PRC.

ii The companies marked with # were in the consolidation scope of Wanda Hotel Development Company Limited ("Wanda Hotel Development"), a listed company on the Main Board of The Stock Exchange of Hong Kong.

The above table lists of the subsidiaries of the Company which, in the opinion of the sole director, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the sole director, result in particulars of excessive length.

2. Basis of preparation and accounting policies

2.1 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, accounting principles generally accepted in Hong Kong and 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 Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Basis of preparation and accounting policies(continued)

2.1 Basis of preparation(continued)

Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2. Basis of preparation and accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office place have been reduced by the lessors as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB154,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform - Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation *5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2. Basis of preparation and accounting policies (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2. Basis of preparation and accounting policies (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

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

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, completed properties held for sale, properties under development, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) ; and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Leasehold improvements	over the lease term	Nil
Office equipment	3-5 years	0-10%
Motor vehicles	5 years	0-10%
Buildings held for own use	30 years	5%
Freehold land	Not depreciated	Not depreciated

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office	2 to 6 years
Hotel building	15 to 20 years
Warehouse	1 to 2 years
Machinery	1 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately from other liabilities in the statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and plant that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities and interest-bearing loans and borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(a) Hotel management services
Hotel management services mainly contains the followings:

The day-to-day management services, and the different kinds of management service fees are generally calculated as certain percentages of the total revenues, room revenue or operation profit of those hotels under management. Such management service fees are due and payable on a monthly basis as services are provided and revenue is recognized over time as services are rendered.

Central reservation system usage fees, other system maintenance and other support fees are typically billed and collected monthly along with base management services fees mentioned above, and revenue is generally recognized as services are provided.

Pre-opening services, which include providing services (e.g., install IT information system, provide standardization hotel management system and central reservation system, provide access to purchase platform, help to obtain operational qualification, and help to recruit and train employees) to the hotel owners to assist in preparing for the hotel opening. These fees are typically collected upfront and are recognized as revenue over the whole management contract period.

Loyalty program management service fee
Revenue from the loyalty program management service fee is generated from the services provided in relation to the loyalty program. The program reward members with points for each stay at the hotels or certain other consumption at the hotels, which are then redeemable for free hotel nights and other goods and services. The Group defers cash amount received from participating hotels as the future redemption obligation, and such points that will eventually be redeemed as revenue when they are used or on the expiry date.

(b) Hotel design and construction management services
Revenue is recognized in the accounting period in which the services are rendered because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Hotel operation income
Revenue from room sales and other ancillary guest services are recognised over time on a daily basis, and revenue from sales of goods is recognised at the point in time when control of the goods is transferred to customers.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Foreign currencies

Hong Kong dollars is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measure in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference is on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company, certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements to the leased asset).

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Fair value of investment properties
The investment properties of the Group are measured at fair value, which were revalued based on the appraised market value by an independent professional valuer. The fair value 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 or, where appropriate, by reference to market evidence of transaction prices for similar properties in the surrounding areas. The fair value of investment properties under development was determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties as at 31 December 2020 was RMB3,738,000,000 (2019: RMB3,793,000,000). Further details, including the key assumptions used for fair value measurement are stated in note 13 to the financial statements.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables and contract assets
Management evaluate the credit risk characteristics of individual trade receivables and contract assets when its credit risk identified deteriorated significantly, otherwise the Group uses a provision matrix to calculate ECLs for trade receivables and contract assets collectively. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 18 and note 19 to the financial statements, respectively.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

PRC corporate income tax ("CIT")
The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the CIT provision to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the CIT expense and CIT provisions in the period in which the differences are realised.

Impairment of non-financial assets (other than goodwill)
The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets
Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 17 to the financial statements.

4. Operating segment information

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

(a) Investment properties leasing;
(b) hotel operation and management services; and
(c) hotel design and construction management services.

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/(loss), which is measured by adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that non-lease-related finance costs, other income/(loss), net, bank interest income, interest income on long term receivables, other interest income from financial assets at fair value through profit or loss as well as corporate and other unallocated expense are excluded from such measurement.

Segment assets exclude deferred tax assets, income tax recoverable, cash and cash equivalents, assets classified as held for sale 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 of the Company, tax payable, liabilities directly associated with the assets classified as held for sale and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating segment information (continued)

Year ended 31 December 2020

	Investment properties leasing RMB'000	Hotel operation and management services RMB'000	Hotel design and construction management services RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	230,133	328,077	150,760	708,970
Intersegment sales	-	-	6,375	6,375
	230,133	328,077	157,133	715,345
Reconciliation:				
Elimination of intersegment sales				(6,375)
Revenue from continuing operations				708,970
Segment results	140,769	80,655	44,348	265,772
Reconciliation:				
Other income and gains				377,071
Finance costs (other than interest on lease liabilities)				(746,900)
Administrative expenses-unallocated				(57,562)
Loss before tax from continuing operations				(161,619)

4. Operating segment information (continued)

Other segment information

Year ended 31 December 2020

	Investment properties leasing	Hotel operation and management services	Hotel design and construction management services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020				
Depreciation and amortisation				
-Segment assets	79	30,851	294	31,224
-Unallocated assets				4,595
				35,819
Capital expenditure*				
-Segment assets	7	44,261	195	44,463
-Unallocated assets				6
				44,469
Impairment loss recognised in the statement of profit or loss, net				
-Segment assets	(3,389)	26,791	(5,265)	18,137
-Unallocated assets				(209,063)
				(190,926)

*Capital expenditure consists of additions to property, plant and equipment, investment properties, construction in progress and leasehold improvement.

4. Operating segment information (continued)

Year ended 31 December 2019

	Investment properties leasing RMB'000	Hotel operation and management services RMB'000	Hotel design and construction management services RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	271,947	417,460	170,625	860,032
Intersegment sales	-	-	492	492
	271,947	417,460	171,117	860,524
Reconciliation:				
Elimination of intersegment sales				(492)
Revenue from continuing operations				860,032
Segment results	(376,942)	154,911	25,861	(196,170)
Reconciliation:				
Other income and gains				71,159
Finance costs (other than interest on lease liabilities)				(503,004)
Administrative expenses-unallocated				(68,904)
Loss before tax from continuing operations				(696,919)

4. Operating segment information (continued)

Other segment information

Year ended 31 December 2019

	Investment properties leasing	Hotel operation and management services	Hotel design and construction management services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019				
Depreciation and amortisation				
-Segment assets	339	15,775	544	16,658
-Unallocated assets				5,344
				22,002
Capital expenditure*				
-Segment assets	818	80,944	236	81,998
-Unallocated assets				58
				82,056
Impairment loss recognised in the statement of profit or loss, net				
-Segment assets	-	1,150	23,867	25,017
-Unallocated assets				57,611
				82,628

*Capital expenditure consists of additions to property, plant and equipment, investment properties, construction in progress and leasehold improvement.

4. Operating segment information (continued)

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 sold or 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.

	Reportable segment revenue from external customers		Specified non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC (including Hong Kong)	708,970	857,121	6,585,736	4,734,297
Overseas	-	2,911	-	-
	708,970	860,032	6,585,736	4,734,297

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:

	2020	2019
	RMB'000	RMB'000
Customer A	177,331	270,268
Customer B	103,452	83,428
Customer C	62,336	132,906
Others	365,851	373,430
	708,970	860,032

5. Revenue

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Hotel management services	264,390	407,817
Hotel design and construction management services	150,760	170,625
Hotel operation services	63,687	9,643
	478,837	588,085
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	5,902	9,938
Other lease payments, including fixed payments	224,231	262,009
	230,133	271,947
	708,970	860,032

5. Revenue (continued)

Revenue from contracts with customers
(i) Disaggregated revenue information

For the year ended 31 December 2020

	Hotel operation and management services RMB'000	Hotel design and construction management services RMB'000	Total RMB'000
Type of goods or services:			
Hotel management services	264,390	-	264,390
Hotel design and construction management services	-	150,760	150,760
Hotel operation income	63,687	-	63,687
Total revenue from contracts with customers	328,077	150,760	478,837
Geographical markets:			
The PRC (including Hong Kong)	328,077	150,760	478,837
Overseas	-	-	-
Total revenue from contracts with customers	328,077	150,760	478,837
Timing of revenue recognition:			
Goods transferred at a point in time	32,930	-	32,930
Services transferred over time	295,147	150,760	445,907
Total revenue from contracts with customers	328,077	150,760	478,837

5. Revenue (continued)

Revenue from contracts with customers
(i) Disaggregated revenue information

For the year ended 31 December 2019

	Hotel operation and management services RMB'000	Hotel design and construction management services RMB'000	Total RMB'000
Type of goods or services:			
Hotel management services	407,817	-	407,817
Hotel design and construction management services	-	170,625	170,625
Hotel operation income	9,643	-	9,643
Total revenue from contracts with customers	417,460	170,625	588,085
Geographical markets:			
The PRC (including Hong Kong)	417,460	167,714	585,174
Overseas	-	2,911	2,911
Total revenue from contracts with customers	417,460	170,625	588,085
Timing of revenue recognition:			
Goods transferred at a point in time	4,358	-	4,358
Services transferred over time	413,102	170,625	583,727
Total revenue from contracts with customers	417,460	170,625	588,085

5. Revenue (continued)

Revenue from contracts with customers (continued)
(i) Disaggregated revenue information (continued)

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:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	8,946	-
Loyalty programme management services	10,672	10,279
Hotel management services	5,341	4,073
Hotel design and hotel construction management services	174	14,386
others	49	-
	25,182	28,738

(ii) Performance obligations

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

Hotel management services, hotel design and hotel 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
The performance obligation is satisfied as services are rendered and payment is generally received in advance or due immediately once the customers checked out of the hotel.

Loyalty program management services
The performance obligation is satisfied as members' points are used or expired, and the payment from hotels who participated in the loyalty program is received in advance.

Sale of goods
The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of hotel design and hotel construction management services as at 31 December are as follows:

	2020 RMB'000	2019 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	168,315	136,627
More than one year	136,671	121,422
	304,986	258,049

6. Other income and gains, net

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

	2020 RMB'000	2019 RMB'000
Other income and gains		
Bank interest income	19,914	11,037
Other interest income from financial assets at fair value through profit or loss	11,397	6,551
Interest income on long-term receivables	37,649	13,383
Compensation received from lessees on breach of contracts	12,696	31,585
Exchange gain, net	74,705	91,848
Gain on disposal of a subsidiary (note 29 (ii))	11,990	-
Others	17,809	4,870
	186,160	159,274

An analysis of other expenses are as follows:

	2020 RMB'000	2019 RMB'000
Other expenses		
Impairment of trade receivables (note 18)	(20,518)	(24,778)
(Reversal)/impairment of other receivables (note 20)	473,475	(57,802)
Impairment of contract assets (note 19)	(1,081)	(48)
Impairment of long term receivable (note 20)	(260,950)	-
Others	(15)	(271)
	190,911	(82,899)
Other income and gains, net total	377,071	76,375

7. Loss before tax from continuing operations

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Cost of goods sold		26,389	3,972
Cost of services provided		192,655	221,276
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		21,219	36,109
		240,263	261,357
Depreciation of property, plant and equipment		5,994	2,927
Depreciation of right-of-use assets		28,464	18,250
Lease payments not included in the measurement of lease liabilities		6,749	6,354
Amortisation of other intangible assets		1,361	825
Employee benefit expense (excluding directors' remuneration)			
- Salaries and other staff costs		100,117	121,973
- Pension scheme contributions		903	3,603
		101,020	125,576
Foreign exchange differences, net	6	(74,705)	(91,848)
Impairment of financial and contract assets:			
Impairment of trade receivables	6	20,518	24,778
Impairment of contract assets	6	1,081	48
(Reversal)/impairment of financial assets included in prepayments, other receivables and other assets	6	(473,475)	57,802
Impairment of long term receivable	6	260,950	-
		(190,926)	82,628
Fair value gain, net:			
Net valuation loss on investment properties	13	55,196	623,270
Other interest income from financial assets at fair value through profit or loss	6	(11,397)	(6,551)
Bank interest income	6	(19,914)	(11,037)
Interest income on long-term receivables	6	(37,649)	(13,383)
Gain form disposal of a subsidiary	6	(11,990)	-

8. Finance costs

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

	2020 RMB'000	2019 RMB'000
Interest on loans from financial institutions	38,365	66,169
Interest on guaranteed bonds	708,535	436,835
Interest on leases liabilities (note 14)	17,478	8,613
	764,378	511,617

9. Director's remuneration

Sole director has not received any fees or emoluments in respect of his services rendered to the Company during the year 2020 (2019: Nil).

10. Income tax

	2020 RMB'000	2019 RMB'000
Current tax		
Corporate income tax for the year		
— Charge for the year	67,935	78,585
— Underprovision in prior years	-	238
	67,935	78,823
Deferred tax (note 17)		
Origination and reversal of temporary differences:		
— Revaluation of properties	597	(107,402)
— Effect of adoption of HKFRS 16	(5,084)	(876)
— Others	(14,410)	(548)
	(18,897)	(108,826)
Total tax expense/(credit) for the year from continuing operations	49,038	(30,003)
Total tax charge for the year from discontinued operations	-	149,739
Total tax expense for the year	49,038	119,736

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) No provision for Hong Kong profits tax or overseas corporate income tax has been made in the consolidated financial statements as the Group did not have assessable profits in Hong Kong or overseas for the year (2019: Nil).

(iii) Corporate income tax ("CIT")

The provision for the PRC CIT has been made at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China (2019: 25%), except for the subsidiary of the Company established in Horgos, Xinjiang Uygur Autonomous region, enjoys 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.

10. Income tax (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rates, is as follows:

	2020 RMB'000	2019 RMB'000
Loss before tax from continuing operations	(161,619)	(696,919)
Profit/(loss) before tax from discontinued operations	114,210	(899,933)
	(47,409)	(1,596,852)
National tax calculated at rates applicable to profit or loss in the tax jurisdictions concerned	105,424	(101,635)
Adjustments in respect of current tax of previous periods	-	238
Income not subject to tax	(87,619)	(157,842)
Expenses not deductible for tax	34,567	240,333
Tax losses not recognised	5,103	56,570
Deductible temporary difference not recognised	-	33,009
Utilisation of deductible temporary differences and tax losses not recognised in prior years	(8,437)	(10,338)
PRC Land Appreciation Tax("LAT")	-	79,201
CIT effect of LAT	-	(19,800)
Tax charge at the Group's effective rate	49,038	119,736
Tax charge/(credit) from continuing operations at the effective rate	49,038	(30,003)
Tax charge from discontinued operations at the effective rate	-	149,739
Tax expense/(credit) at the Group's effective rate	49,038	119,736

11. Discontinued Operations

(i) Parcel C

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

(ii) Ceased business of the development and sale of properties in PRC

During the year ended 31 December 2019, the Company has decided to cease the business of development and sale of properties in the PRC. Therefore, the segment of the development and sale of properties was classified as a discontinued operation.

11. Discontinued Operation (continued)

(i) Parcel C:

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

	2020 RMB'000	2019 RMB'000
Other revenue	16	91
Other income, net	5,272	5,273
Selling expenses	(15,029)	(24,530)
Administrative expenses	(3,884)	(118)
Finance costs	(16)	(124)
Gain on diaposal of subsidiary (note 29 (i))	127,851	-
Profit/(loss) before tax from the discontinued operation	114,210	(19,408)
Income tax expense	-	-
Profit /(loss) for the year from the discontinued operation	114,210	(19,408)

(b) The major classes of assets and liabilities of Parcel C classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'000
Property, plant and equipment	918,476
Right-of-use assets	1,227
Contract incremental cost	51,850
Properties under development	3,474,661
Restricted bank deposits	3,076
Cash and cash equivalents	25,521
Assets classified as held for sale	4,474,811
Trade and other payables	(434,311)
Lease liability	(1,260)
Loans from financial institution	(872,055)
Liabilities directly associated with the assets classified as held for sale	(1,307,626)
Net assets directly associated with Parcel C	3,167,185
Exchange reserve on translation of foreign operations	(3,765)

11. Discontinued Operation (continued)

(i) Parcel C (continued):

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

	2020 RMB'000	2019 RMB'000
Operating activities	(738,939)	(656,630)
Investing activities	(155,652)	(230,683)
Financing activities	871,636	850,372
Effect of foreign exchange rate changes	(909)	(213)
Net cash flow	(23,864)	(37,154)

(d) Certain assets of Parcel C were pledged to secure the loans from financial institutions and bank facilities as follows:

	2019 RMB'000
Construction in progress	774,082
Freehold land	141,720
Properties under development	3,474,661
	4,390,463

The loan from a financial institution as at 31 December 2019 were guaranteed by an intermediate holding company, Dalian Wanda Commercial Management Group Co., Ltd, and this loan and relevant guarantee has been released before completion of disposal of Parcel C.

11. Discontinued Operation (continued)

(ii) Ceased business in development and sale of properties:

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

	2019 RMB'000
Revenue	1,188,875
Cost of sales	(969,256)
Other revenue	20,294
Other net loss	(23,094)
Selling expenses	(57,731)
Administrative expenses	(57,190)
Finance costs	(33,089)
Loss on disposal of subsidiaries	(75,049)
Loss before tax from the discontinued operation	(6,240)
Income tax expense	149,738
Loss for the year from the discontinued operation	(155,978)

(b) The net cash flows incurred by the ceased business of development and sale of properties are as follows

	2019 RMB'000
Operating activities	(104,549)
Investing activities	7,326
Financing activities	110,308
Net cash flow	13,085

(iii) The impairment provide during the 2019 within discontinued operations was in relation with the outstanding proceeds receivables in relation with disposal of subsidiaries of GBP 40 million (equivalent to RMB362,004,000) and AUD 105 million (equivalent to RMB512,282,000) in prior year. In considering the recoverability of the outstanding balance, the director of the Company is of the view that the total amount of RMB874,286,000 may not be recoverable with reliable certainty and hence a fully impairment loss against these amounts were recognised in profit or loss during the year ended 31 December 2019.

12. Property, plant and equipment

	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020					
At 31 December 2019 and at 1 January 2020:					
Cost	24,401	3,314	50,994	87,144	165,853
Accumulated depreciation	(16,183)	(3,266)	-	(22,240)	(41,689)
Net carrying amount	8,218	48	50,994	64,904	124,164
At 1 January 2020, net of accumulated depreciation	8,218	48	50,994	64,904	124,164
Additions	2,751	-	31,025	5,181	38,957
Disposal	(52)	-	-	-	(52)
Disposal of subsidiaries(note 29)	(86)	(24)	(44,264)	-	(44,374)
Transfers	-	-	(21,689)	21,689	-
Depreciation provided during the year	(1,574)	-	-	(4,420)	(5,994)
Impairment	-	-	-	-	-
At 31 December 2020, net of accumulated depreciation	9,257	24	16,066	87,354	112,701
At 31 December 2020:					
Cost	23,773	2,688	16,066	113,917	156,444
Accumulated depreciation	(14,516)	(2,664)	-	(26,563)	(43,743)
Net carrying amount	9,257	24	16,066	87,354	112,701

12. Property, plant and equipment (continued)

	Bulidings held for own use RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Freehold land RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2019							
At 31 December 2019 and at 1 January 2020:							
Cost	10,289	25,057	4,279	139,420	564,520	43,078	786,643
Accumulated depreciation	(2,081)	(20,256)	(3,654)	-	-	(30,061)	(56,052)
Net carrying amount	8,208	4,801	625	139,420	564,520	13,017	730,591
At 1 January 2020, net of accumulated depreciation	8,208	4,801	625	139,420	564,520	13,017	730,591
Additions	-	6,573	958	-	253,535	65,528	326,594
Disposals	-	(310)	(454)	-	-	(4)	(768)
Disposal of subsidiaries	(7,693)	(86)	(67)	-	-	-	(7,846)
Transfer to assets held for sale	-	-	-	(141,720)	(774,082)	(2,674)	(918,476)
Depreciation provided during the year	(515)	(2,024)	(1,014)	-	-	(10,591)	(14,144)
Impairment	-	(736)	-	-	-	-	(736)
Exchange realignment	-	-	-	2,300	7,021	(372)	8,949
At 31 December 2020, net of accumulated depreciation	-	8,218	48	-	50,994	64,904	124,164
At 31 December 2020:							
Cost	-	24,401	3,314	-	50,994	87,144	165,853
Accumulated depreciation	-	(16,183)	(3,266)	-	-	(22,240)	(41,689)
Net carrying amount	-	8,218	48	-	50,994	64,904	124,164

13. Investment properties

	Completed investment properties RMB'000
At 1 January 2019	5,412,000
Addition	818
Disposal	(880,000)
Net loss from a fair value adjustment	(623,270)
Reversal of over-accured development costs	(116,548)
At 31 December 2019 and 1 January 2020	3,793,000
Addition	223
Net loss from a fair value adjustment	(55,196)
Reversal of over-accured development costs	(27)
At 31 December 2020	3,738,000

All the completed investment properties, including both land and building elements held by the Group, were revalued at the end of the year 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 year.

Certain item of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 14 to the financial statements.

13. Investment properties (continued)

As at 31 December 2020, certain items of the Group's investment properties with a carrying amount of RMB2,416,000,000 (2019: RMB2,441,000,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group as disclosed in note 24.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurements as at 31 December 2020 using			
	Quoted prices in active markets (Level 1	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	3,738,000	3,738,000

	Fair value measurements as at 31 December 2019 using			
	Quoted prices in active markets (Level 1	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	3,793,000	3,793,000

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2019: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

13. Investment properties (continued)

The Group's management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 31 December 2020:

	Valuation techniques	Significant unobservable input	Range or weigh over 2020	2019
Shopping mall	Investment approach	Prevailing monthly market rents per square meter	RMB54 -RMB301	RMB55 -RMB299
		Reversionary yield	Mall: 7.0% Store: 6.0%	Mall: 7.0% Store: 6.0%
Car parks	Investment approach	Prevailing monthly market rents per lot	RMB395 -RMB426	RMB395 -RMB 426
		Reversionary yield	5.0%	5.0%

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value is. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

14. Leases

The Group as a lessee

The Group has lease contracts for various items of office, hotel buildings, warehouses and machinery used in its operations. Leases of office generally have lease terms between 2 and 6 years, and leases of hotel buildings generally have lease terms between 15 and 20 years, while warehouses generally have lease terms between 1 and 2 years and machinery generally has lease terms between 1 and 3 years. Other office space or equipment generally has 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:

	Office RMB'000	Hotel building RMB'000	Warehouse RMB'000	Prepaid land lease payments RMB'000	Total RMB'000
As at 1 January 2019	19,727	-	329	14,665	34,721
Addition	36,092	232,286	-	-	268,378
Depreciation charge	(13,946)	(6,956)	(211)	(411)	(21,524)
Transfer to assets classified as held for sale	(1,227)	-	-	-	(1,227)
Exchange realignment	857	-	-	-	857
Disposal	-	-	-	(14,254)	(14,254)
As at 31 December 2019	41,503	225,330	118	-	266,951

	Office RMB'000	Hotel building RMB'000	Warehouse RMB'000	Machinery RMB'000	Total RMB'000
As at 1 January 2020	41,503	225,330	118	-	266,951
Addition	712	110,217	-	422	111,351
Depreciation charge	(11,170)	(17,007)	(118)	(169)	(28,464)
Exchange realignment	(581)	-	-	-	(581)
As at 31 December 2020	30,464	318,540	-	253	349,257

14. Leases (continued)

(b) Lease liabilities

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

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	272,743	19,969
New leases	111,351	268,378
Accretion of interest recognised during the year (note 8)	17,478	8,613
Payments	(23,874)	(23,926)
Transfer to assets classified as held for sale	-	(1,260)
Covid-19 related rent concessions	(154)	
Exchange realignment	(919)	969
Carrying amount at 31 December	376,625	272,743
Analysed into:		
Current portion	19,956	10,590
Non-current portion	356,669	262,153

The maturity analysis of lease liabilities is disclosed in note 36 to the financial statements.

As disclosed in note 2.2. to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain office place during the year.

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

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities (note 8)	17,478	8,613
Depreciation charge of right-of-use assets	28,464	21,524
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales) (note 7)	6,521	6,521
Expense relating to leases of low-value assets (included in administrative expenses) (note 7)	74	98
Covid-19-related rent concessions from lessors	(154)	-
Total amount recognised in profit or loss	52,383	36,756

(d) The total cash outflow for leases is disclosed in note 30(c) to the financial statements.

14. Leases (continued)

The Group as a lessor

The Group leases its investment properties (note 13) in Guilin, Panjin and Shiyan under operating lease arrangements. While during the year ended 31 December 2019, there was another commercial properties in Fuzhou was leased under operating lease arrangements, which was disposed of on 27 December 2019 upon the completion of the disposal of Amazing Wise Limited and its subsidiaries. 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 RMB230,133,000 (2019: RMB271,947,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	205,528	198,788
After one year but within two years	139,797	155,134
After two years but within three years	90,290	93,943
After three years but within four years	67,611	78,206
After four years but within five years	55,787	64,445
After five years	267,561	252,449
	826,574	842,965

15. Other intangible assets

	Software RMB'000
At 1 January 2019	6,365
Additions	4,007
Amortisation provided during the year	(829)
Disposal	(2)
At 31 December 2019 and 1 January 2020	9,541
Additions	5,044
Amortisation provided during the year	(1,361)
Disposal	-
At 31 December 2020	13,224

16. Goodwill

	2020 RMB'000	2019 RMB'000
Cost	286,751	286,751
Accumulated impairment	-	-
Net carrying amount	286,751	286,751

Impairment testing of goodwill

Goodwill acquired through the acquisition of Wanda Hotel Devlopment Company Limited (Formerly known as Hengli Commercial Properties (Group) Limited) and it is allocated to the cash-generating unit ("CGU") of Wanda Hotel Devlopment Company Limited and its subsidiaries (collectively referred to as "Wanda Hotel Devlopment") for impairment testing.. The recoverable amount of Wanda Hotel Development has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections is 10.97% (2019: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2019: 3%).

Assumptions were used in the value in use calculation of Wanda Hotel Devlopment CGU for 31 December 2020 and 31 December 2019. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth – The bases used to determine the future earnings potential are historical sales as well as taking into account of the business recovery since the second half of 2020 after the outbreak of covid-19 and average expected growth rates of the markets in China.

Expenses – The value assigned to the key assumptions reflects past experience and management's commitment to maintain Wanda Hotel Devlopment CGU's operating expenses to an acceptable level.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Management believes that the values assigned to the key assumptions is justified, given the unique infrastructure and characteristic services developed by Wanda Hotel Development.

17. Deferred tax assets and liabilities

The components of the Group's deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of properties $'000	LAT $'000	Lease liability $'000	Others $'000	Total $'000
At 1 January 2019	(629,092)	18,579	-	33,472	(577,041)
Deferred tax credited/(charged) to the statement of profit or loss during the year:					
- included in continuing operations	107,402	-	876	548	108,826
- included in discontinued operations	-	(18,579)	-	(21,506)	(40,085)
Disposal of subsidiaries	126,940	-	-	-	126,940
At 31 December 2019 and 1 January 2020	(394,750)	-	876	12,514	(381,360)
Deferred tax credited to the statement of profit or loss during the year:					
- included in continuing operations	(3,490)	-	6,023	16,364	18,897
Exchange differences	-	-	-	-	-
At 31 December 2020	(398,240)	-	6,899	28,878	(362,463)

Reconciliation to the consolidated statement of financial position:

	2020 $'000	2019 $'000
Deferred tax assets	34,476	13,390
Deferred tax liabilities	(396,939)	(394,750)
	(362,463)	(381,360)

17. Deferred tax assets and liabilities (continued)

Deferred tax assets have not been recognised in respect of the following items.

	2020 RMB'000	2019 RMB'000
Unused tax credits	177,917	360,376
Deductible temporary differences	-	35,712
	177,917	396,088

The above tax losses were mainly arose in Mainland China and the USA. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. As at 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Director, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. Trade and bill receivables

		2020 RMB'000	2019 RMB'000
Trade receivables	(ii)	257,323	182,400
Bills receivables	(i)	47,361	15,159
		304,684	197,559

(i) Bills receivables

	2020 RMB'000	2019 RMB'000
Commericial acceptance bills	40,861	11,639
Bank acceptance bills	6,500	3,520
	47,361	15,159

(ii) Trade receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	303,395	207,954
Impairment	(46,072)	(25,554)
	257,323	182,400

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 operation of hotels, it's normally settled when the customer check out and leave the hotel, 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:

	2020 RMB'000	2019 RMB'000
Within 3 months	111,139	65,926
Over 3 months but within 6 months	49,920	28,369
Over 6 months but within 12 months	47,848	42,418
Over 12 months	48,416	45,687
	257,323	182,400

18. Trade and bill receivables (continued)

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

	2020 RMB'000	2019 RMB'000
At beginning of year	25,554	1,899
Impairment during the year, net		
-continuing operation (note 6)	20,518	24,778
-discontinued operation	-	(1,123)
At end of year	46,072	25,554

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 made provision on the individual basis, otherwise, Management use a provision matrix to measure expected credit losses for the rest 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 2020, the trade receivables amounting to RMB40,428,000 (2019: RMB22,990,000) was assessed individually and considered to be unlikely for the Group to receive the outstanding contractual amounts and was 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 Group's trade and bills receivables using a provision matrix:

As at 31 December 2020

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.231%	0.883%	1.769%	2.227%	8.740%	2.146%
Gross carrying amount(RMB'000)	111,402	50,265	20,807	37,771	42,722	262,967
Expected credit losses(RMB'000)	257	444	368	841	3,734	5,644

As at 31 December 2019

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months	Total
Expected credit loss rate	0.320%	1.332%	1.049%	1.642%	9.432%	1.386%
Gross carrying amount(RMB'000)	72,818	18,847	19,548	65,227	8,524	184,964
Expected credit losses(RMB'000)	233	251	205	1,071	804	2,564

19. Contract assets

	2020 RMB'000	2019 RMB'000
Contract assets arising from:		
Hotel design services	20,039	13,038
Impairment	(1,129)	(48)
	18,910	12,990

Contract assets are initially recognised for revenue earned from hotel design services and the provision of related design services as the receipt of consideration is conditioned on having reached certain milestones of the design and customers confirming the design results. Upon completion of certain milestones of the design and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at 31 December 2020 is within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	48	-
Impairment losses (note 6)	1,081	48
At end of year	1,129	48

An impairment analysis is performed at each reporting date by reference to the credit risk characteristics of contract assets, either individually or collectively. For contract assets with credit risk identified deteriorated significantly, Management made provision on the individual basis, otherwise, Management use a provision matrix to measure expected credit losses for the rest portion. The provision rates for the measurement of the expected credit losses on the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables 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.

During the year ended 31 December 2020, RMB994,000 (2019:Nil) was recognised as an allowance for excepted credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 18 to the financial statements.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	Current
Expected credit loss rate	0.709%
Gross carrying amount(RMB'000)	19,045
Expected credit losses(RMB'000)	135

As at 31 December 2019

	Total
Expected credit loss rate	0.368%
Gross carrying amount ($'000)	13,038
Expected credit losses ($'000)	48

20. Prepayments, other receivables, other assets and long-term receivables

		2020 RMB'000	2019 RMB'000
Prepayments		6,891	5,416
Deposits and other receivables		2,098,281	1,474,207
Loans to related parties		875,610	139,524
Interest receivable from related parties		6,210	1,023
Due from related parties		3,247,775	3,211,964
		6,234,767	4,832,134
Impairment allowance	(a)	(713,017)	(952,858)
		5,521,750	3,879,276
Current		3,435,947	3,625,386
Non-current	(b)	2,085,803	253,890
		5,521,750	3,879,276

The amounts due from related parties are unsecured, interest free and repayable on demand. The interest rate of loans to related parties is 3%.

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

	2020 RMB'000	2019 RMB'000
At 1 January	952,858	415
Impairment during the year recognised/(reversed) in profit or loss, net		
-continuing operation (note 6)	(212,525)	57,802
-discontinued operation	-	886,223
Exchange differences	(27,316)	8,418
At 31 December	713,017	952,858

The above provision for impairment or reversal of impairment of other receivables is provision assessed individually of other receivables.

(b) The long-term receivable amounting to RMB1,340,669,000 (equivalent to US$205,469,000) represented the Deferred Amount arising from the disposal of Parcel C (note 29). The Deferred Amount is secured by a mortgage on certain condominium units under development of Parcel C.

21. Cash and cash equivalents and pledged deposits

	2020 RMB'000	2019 RMB'000
Cash and bank balances	7,164,153	7,313,139
Time deposits	461,642	200,000
	7,625,795	7,513,139
Less: Pledged account	(400)	(400)
	(400)	(400)
Cash and cash equivalents	7,625,395	7,512,739

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB2,001,455,000 (2019: RMB2,223,679,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The time deposit is made for period of three years, but which could be withdraw at any time during the period depending on the immediate cash requirements of the Group. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, the amount of RMB400,000 of the Group's cash and bank balances (2019: RMB400,000) is secured for mortgage facilities, granted to the Group as disclosed in note 26.

22. Trade and other payables

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

	Notes	2020 RMB'000	2019 RMB'000
Trade payables	(a)	130,705	329,993
Amounts due to an intermediate holding company	(b)	4,194,468	5,343,118
Accruals		13,733	17,867
Amounts due to related parties	(b)	338,397	349,439
Other payables		253,039	490,963
		4,930,342	6,531,380

Notes:

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

	2020 RMB'000	2019 RMB'000
Within one year	83,682	220,319
Over one year but within two years	19,268	48,093
Over two years but within three years	27,755	61,581
	130,705	329,993

b) The amounts due to an intermediate holding companies and related parties are unsecured, interest-free and repayable on demand or within one year.

23 Contract liabilities

Details of contract liabilities are as follows:

	2020 RMB'000	2019 RMB'000
Sale of goods	253	8,946
Loyalty programme management services	35,459	33,858
Hotel management services	32,411	8,947
Hotel design and construction management services	9,043	3,859
Other services	298	47
Total contract liabilities	77,464	55,657
Current portion	29,357	31,769
Non-current portion	48,107	23,888

Contract liabilities include advances received to deliver goods, loyalty programme management services, hotel management services, hotel design and construction management services and other services.

24. Loans from financial institutions

Loans from financial institutions were repayable as follows:

	2020 RMB'000	2019 RMB'000
Current:		
Bank loans - secured	60,290	30,000
Bank loans - guaranteed	130,592	-
Bank loans - secured and guaranteed	70,610	40,000
	261,492	70,000
Non-current:		
Bank loans - secured	195,000	255,000
Bank loans - guaranteed	-	139,523
Bank loans - secured and guaranteed	320,000	370,000
	515,000	764,523
	776,492	834,523
Repayable:		
Within 1 year or on demand	261,492	70,000
After 1 year but within 2 years	110,000	249,524
After 2 years but within 5 years	335,000	360,000
After 5 years	70,000	154,999
	776,492	834,523

Certain loans from financial institutions as at 31 December 2020 and 31 December 2019 were guaranteed by an intermediate holding company, Dalian Wanda Commercial Management Group Co., Ltd.

The Group's other bank borrowings bear interest at floating rates. The range of the effective interest rates during the year is as follows:

	2020	2019
Effective interest rates	1.53%~5.145%	3.13%~5.145%

The carrying amounts of all the Group's borrowings during the year were denominated in RMB and US$. The denominated amounts at the year end are as follows:

	2020 RMB'000	2019 RMB'000
RMB loans and borrowings	645,900	695,000
USD loans and borrowings	130,592	139,523
	776,492	834,523

24. Loans from financial institutions (continued)

Assets of the Group pledged to secure the loans from financial institutions and bank facilities comprise:

	2020 RMB'000	2019 RMB'000
Investment properties (note 13)	2,416,000	2,441,000

25. Guaranteed bonds

	2020 RMB'000	2019 RMB'000
Guaranteed bonds due 2020, listed and interest accrued on bonds		
Current	211,996	2,086,477
Guaranteed bonds due 2022, 2023&2024, listed		
Non-current	9,048,685	6,845,397
	9,260,681	8,931,874

On 12 March 2019, a subsidiary of the Group issued guaranteed bonds a with due date in February 2020 ("GB2020 Bonds") in an aggregate principal amount of USD300 million. The GB2020 Bonds bear interest at a rate of 6.25% per annum, payable in arrear half-yearly on 1 September 2019 and 27 February 2020. The Bond has been repaid on due date.

On 5 December 2019, a subsidiary of the Group issued guaranteed bonds with a due date in December 2022 ("GB2022 Bonds") in an aggregate principal amount of USD400 million. The GB2022 Bonds bear interest at a rate of 7.375% per annum, payable in arrear half-yearly on 5 June and 5 December of each year, commencing on 5 June 2020.

On 23 January 2020, a subsidiary of the Group issued guaranteed bonds with due date in July 2023 ("GB2023 Bonds") in an aggregate principal amount of USD400 million. The GB2023 Bonds bear interest at a rate of 6.875% per annum, payable in arrear half-yearly on 23 January and 23 July of each year, commencing on 23 July 2020.

On 30 January 2014, a subsidiary of the Group issued guaranteed bonds with a due date in January 2024 ("GB2024 Bonds") in an aggregate principal amount of USD600 million. The GB2024 Bonds bear interest at a rate of 7.25% per annum, payable in arrears half-yearly on 29 January and 29 July of each year, commencing on 29 July 2014.

26. Share capital

	2020 HK$	2019 HK$
Issued and fully paid:		
1 (2019: 1) ordinary share	1	1

27. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 10 to 11 of the financial statements.

28. Partly-owned subsidiaries with material non-controlling interests

The following tables list out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Wanda Hotel Development RMB'000
2020	
Percentage of equity interest held by NCI	34.96%
Profit for the year allocated to NCI	50,100
Dividends declared to NCI	-
Accumulated balances of NCI at the reporting date	653,177
2019	
Percentage of equity interest held by NCI	34.96%
Loss for the year allocated to NCI	(86,354)
Dividends declared to NCI	-
Accumulated balances of NCI at the reporting date	601,764

28. Partly-owned subsidiaries with material non-controlling interests (continued)

	Wanda Hotel Development RMB'000
2020	
Revenue	573,266
Total expense and other net gain	(455,667)
Profit for the year	143,306
Total comprehensive income for the year	147,063
Current assets	2,361,779
Non-current assets	3,166,543
Current liabilities	(2,631,826)
Non-current liabilities	(551,274)
Non-controlling interests	(476,866)
Net cash flows from/(used in)	
-operating activities	(743,723)
-investing activities	2,182,309
-financing activities	(1,571,959)
Effect of foreign exchange rate changes	(37,181)
Net decrease in cash and cash equivalents	(170,554)
2019	
Revenue	754,697
Total expense and other net gain/(loss)	(1,269,219)
Loss for the year	(247,007)
Total comprehensive income for the year	(224,666)
Current assets	6,878,672
Non-current assets	1,714,876
Current liabilities	(5,792,977)
Non-current liabilities	(432,651)
Non-controlling interests	(646,628)
Net cash flows from/(used in)	
-operating activities	(730,602)
-investing activities	156,095
-financing activities	128,412
Effect of foreign exchange rate changes	(9,037)
Net decrease in cash and cash equivalents	(455,132)

29. Disposal of subsidiaries

(i) On 24 November 2020, the Group completed the disposal of its equity interest in Parcel C. Further details of the Disposal have been set out in the Wanda Hotel Development's announcements dated 30 July 2020, 29 September 2020 and 24 November 2020.

On 24 July 2020, Wanda Chicago Real Estate LLC ("Wanda Chicago"), a subsidiary of the Company, as seller, and Magellan Parcel C/D LLC ("Magellan"), as purchaser, entered into a membership interest purchase agreement (the "Agreement") in relation to the disposal of 90% of the issued and outstanding membership interests of Parcel C (the "Chicago Disposal") at the consideration of US$270,000,000 and repayment of the debt in the amount of US$281,370,000, among which US$200,000,000 has been deferred in payment (the "Deferred Amount"). The Deferred Amount was increased by US$3,500,001 according to the Agreement since Magellan extended the initial scheduled closing date from 22 October 2020 to the final completion date on 24 November 2020.

The net assets of Parcel C at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Freehold land	132,531
Construction in progress	883,160
Inventories	3,899,315
Contract assets	48,614
Prepayments, other receivables and other assets	34,451
Cash and cash equivalents	1,657
Other borrowings	(2,811,844)
Trade and other payables	(369,171)
Non-controlling interests	(182,415)
	1,636,298
Exchange fluctuation reserve	4,511
Transaction cost	19,604
Gain on disposal of subsidiaries (note 11 (i)(a))	127,851
	1,788,264
Satisfied by:	
Cash	1,761,495
Increase in the Deferred Amounts due to extension	22,887
Fair value gain on the Deferred Amounts	3,882
	1,788,264

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 RMB'000
Cash consideration	1,761,495
Cash and bank balances disposed of	(1,657)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	1,759,838

29. Disposal of subsidiaries (continued)

(ii) On 31 July 2020, the Group completed the disposal of its 100% equity interest in Shiyan Wanshang Properties Co,. Ltd. to a fellow subsidiary for a cash consideration of RMB86,643,000.

The net assets of Shiyan Wanshang Properties Co,. Ltd at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	110
Construction in progress	44,264
Cash and cash equivalents	30,040
Trade and other receivables	239
	74,653
Gain on disposal of a subsidiary (note 6)	11,990
	86,643
Satisfied by:	
Cash	86,643

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	86,643
Cash and bank balances disposed of	(30,040)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	56,603

30. Note to the consolidated statement of cash flows

(a) Major non-cash transactions
During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB111,351,000 (2019: RMB268,378,000) and RMB111,351,000 (2019: RMB268,378,000), respectively, in respect of lease arrangements for office and hotel building.

(b) Changes in liabilities arising from financing activities

2020

	Lease liabilities RMB'000	Loans from financial institutions RMB'000	Guaranteed bonds RMB'000	Loan form financial institution included in liabilities as held for sale RMB'000	Other borrowings RMB'000	Long-term receivable* RMB'000	Interest payables for bank loans and other loans RMB'000
At 1 January 2020	272,743	834,523	8,931,874	872,055	-	-	228,198
Inter-group balances between disposed subsidiary and the remaining group as at 1 January 2020	-	-	-	-	1,207,064	(1,207,064)	-
Changes from financing cash flows	(23,874)	(87,367)	150,933	(843,825)	1,008,894	-	(245,838)
New leases	111,351	-	-	-	-	-	-
Interest expenses	17,478	38,365	708,553	-	-	-	-
Capitalized interest	-	-	-	-	-		25,020
Covid-19 related rent concessions	(154)	-	-	-	-	-	-
Elimination between disposed subsidiary and the remaining group	-	-	-	-	729,065	(729,065)	-
Proceeds received on debt collection from the disposal of subsidiary	-	-	-	-	-	540,048	-
Increase in the Deferred Amounts due to extension	-	-	-	-	-	(22,887)	-
Fair value gain on the Deferred Amounts	-	-	-	-	-	(3,882)	-
Disposal of a subsidiary	-	-	-	-	(2,811,844)	-	-
Foreign exchange movement	(919)	(9,029)	(530,679)	(28,230)	(133,179)	82,181	(7,380)
At 31 December 2020	376,625	776,492	9,260,681	-	-	(1,340,669)	-

* Notwithstanding the account is an asset, it's presented in negative under this note while the accounts of liabilities are presented in positive to be consistent with the comparative information.

30. Note to the consolidated statement of cash flows (continued)

2019

	Lease liabilities RMB'000	Loans from financial institutions RMB'000	Guaranteed bonds RMB'000	Other borrowings RMB'000	Interest payables for bank loans a and bonds RMB'000
At 31 December 2019	-	2,996,924	4,050,224	337,856	158,546
Effect of adoption of HKFRS 16	19,969	-	-	-	-
At 1 January 2020	19,969	2,996,924	4,050,224	337,856	158,546
Changes from financing cash flows	(15,313)	(978,911)	4,788,142	8,416	(406,547)
New leases	268,378	-	-	-	-
Interest expenses	8,737	-	-	-	585,719
Interest paid classified as operating cash flows	(8,737)	-	-	-	-
Transfer to liabilities directly associated with the assets classified as held for sale	(1,260)	(872,055)	-	-	-
Disposal of subsidiaries	-	(299,500)	-	(354,170)	(122,275)
Foreign exchange movement	969	(11,935)	93,508	7,898	12,755
At 31 December 2020	272,743	834,523	8,931,874	-	228,198

30. Note to the consolidated statement of cash flows (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	6,595	15,356
Within financing activities	23,874	15,313

(d) Total taxes paid

The total taxes paid during the year were:

	2020 RMB'000	2019 RMB'000
Operating activities:		
PRC profits tax paid	244,109	218,508
PRC LAT tax paid	-	35,773
	244,109	254,281

31. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for	15,987	2,450,651

The commitments at the year ended 31 December 2020 mainly represent leasehold improvement related costs to be incurred in respect of the Group's leased hotel buildings situated in Mainland China.

32. Contingent liabilities

	2020 RMB'000	2019 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	28,688	224,375

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

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

33. Significant related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
The immediate holding company:		
Receiving of services	-	3,000
Companies controlled by the ultimate controlling shareholder:		
Sale of goods	2,496	720
Rendering of services	91,788	73,212
Receiving of services	2,923	1,794
Rental income	9,953	13,219
Rental expense	13,352	13,081
Lending of loan	744,167	147,923
Cash consideration on the disposal of a subsidiary to a fellow subsidiary	86,634	-

(b) Outstanding balances with related parties

	2020 RMB'000	2019 RMB'000
Trade receivables due from		
Companies controlled by the ultimate controlling shareholder and a close family member	54,320	22,146
Other receivables due from		
The immediate holding company	3,065,288	2,987,624
Companies controlled by the ultimate controlling shareholder and a close family member	182,487	224,340
Receipt in advance from		
Companies controlled by the ultimate controlling shareholder and a close family member	333	491
Other payables due to		
The immediate holding company	4,194,468	5,343,118
Companies controlled by the ultimate controlling shareholder and a close family member	338,397	349,439
Prepayment to		
Companies controlled by the ultimate controlling shareholder and a close family member	2,746	240
Loans to		
Companies controlled by the ultimate controlling shareholder and a close family member	875,610	140,547

33. Related party transactions(continued)

(c) Guarantees provided by an intermediate holding company

	2020 RMB'000	2019 RMB'000
Transactions:		
Guarantees provided by the immediate holding company for the Group's bank loan	-	139,523
Balance:		
Outstanding balances of the guaranteed loans	521,202	1,421,579

34. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2020 RMB'000	2019 RMB'000
Trade and bill receivables	304,684	197,559
Financial assets included in prepayments and other receivables	3,418,173	3,619,970
Loan to related parties	745,134	-
Long-term receivable	1,340,669	253,890
Pledged deposits	400	400
Cash and cash equivalents	7,625,395	7,512,739
	13,434,455	11,584,558

Financial liabilities

	Financial liabilities at amortised cost	
	2020 RMB'000	2019 RMB'000
Financial liabilities included in trade and other payables	4,788,992	6,513,513
Lease liabilities	376,625	272,743
Loans from financial institutions	776,492	834,523
Guaranteed bonds	9,260,681	8,931,874
	15,202,790	16,552,653

35. Fair value and fair value hierarchy of financial instruments

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments and other receivables, financial liabilities included in trade and other payables and loans from financial institutions approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2020 and 2019.

36. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The director review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's loss before tax (through the impact on floating rate borrowings).

	Increase /(decrease) in basis points	Increase /(decrease) in loss before tax RMB'000
31 December 2020	100	(7,755)
31 December 2019	100	(8,345)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

36. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group's business are principally conducted in RMB and US$. The functional currencies of the Group's subsidiaries in the PRC and the USA are RMB and US$, respectively, and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the Group's other subsidiaries is the Hong Kong dollar. The Group also have monetary assets or liabilities denominated in GBP and AUD.

The Company is exposed to currency risk primarily through restricted bank deposits, cash and cash equivalents, trade receivables, prepayments and other receivables, trade and other payables, loans from financial institutions, loans from an intermediate holding company and amounts due from subsidiaries that are denominated in US$ and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate on the Group's loss before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2020			
If the RMB weakens against the US Dollar	1	(63,284)	(63,284)
If the RMB strengthens against the US Dollar	(1)	63,284	63,284
If the RMB weakens against the HKD	1	(171)	(171)
If the RMB strengthens against the HKD	(1)	171	171
If the RMB weakens against the GBP	1	8,917	8,917
If the RMB weakens against the GBP	1	(8,917)	(8,917)
If the RMB weakens against the AUD	1	756	756
If the RMB strengthens against the AUD	(1)	(756)	(756)
2019			
If the RMB weakens against the GBP	1	97	97
If the RMB strengthens against the GBP	(1)	(97)	(97)
If the RMB weakens against the US Dollar	1	45,877	45,877
If the RMB strengthens against the US Dollar	(1)	(45,877)	(45,877)
If the RMB weakens against the AUD	1	2,913	2,913
If the RMB strengthens against the AUD	(1)	(2,913)	(2,913)
If the RMB weakens against the HKD	1	(49,507)	(49,507)
If the RMB strengthens against the HKD	(1)	49,507	49,507

* Excluding retained earnings

36. Financial risk management objectives and policies (continued)

Credit risk

The Group has no concentrations on credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, restricted bank deposits, trade receivables, prepayments and other receivables.

Maximum exposure and year-end staging as at 31 December 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Long-term receivables	-	-	253,065	1,340,669	1,593,734
Loan to related parties				745,134	745,134
Trade and bill receivables*	-	-	40,428	310,328	350,756
Financial assets included in prepayments and other receivables					
- Normal**	3,418,173	-	-	-	3,418,173
- Doubtful**	-	-	459,965	-	459,965
Contract assets*			994	19,045	20,039
Pledged deposits					
- Not yet past due	400	-	-	-	400
Cash and cash equivalents					
- Not yet past due	7,625,395	-	-	-	7,625,395
	11,043,968	-	754,452	2,415,176	14,213,596

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Long-term receivables	253,890	-	-	-	253,890
Trade and bill receivables*	-	-	22,990	200,123	223,113
Financial assets included in prepayments and other receivables					
- Normal**	3,889,619	-	-	-	3,889,619
- Doubtful**	-	-	937,099	-	937,099
Contract assets*				13,038	13,038
Pledged deposits					
- Not yet past due	400	-	-	-	400
Cash and cash equivalents					
- Not yet past due	7,512,739	-	-	-	7,512,739
	11,656,648	-	960,089	213,161	12,829,898

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36. Financial risk management objectives and policies (continued)

Credit risk (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 to the financial statements.

**The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, prepayments and other receivables, and contract assets are disclosured in note 18, 19 and 20 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, other loans, and lease liabilities.

36. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020				
	Less than 1 year Or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	293,028	135,156	373,758	72,779	874,721
Trade payables and other payables	4,788,992	-	-	-	4,788,992
Lease liabiltiy	37,665	38,878	108,739	395,256	580,538
Guaranteed bonds	678,435	3,378,675	7,376,718	-	11,433,828
	5,798,120	3,552,709	7,859,215	468,035	17,678,079

	2019				
	Less than 1 year Or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	153,918	327,711	433,766	164,217	1,079,612
Trade payables and other payables	6,513,513	-	-	-	6,513,513
Lease liabiltiy	14,790	34,214	90,154	302,126	441,284
Guaranteed bonds	2,376,917	301,007	3,393,305	4,151,820	10,223,049
	9,059,138	662,932	3,917,225	4,618,163	18,257,458

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio and a debt-to-asset ratio. The gearing ratio is defined as net debt divided by total equity plus net debt. Net debt comprise loans from financial institutions, including current and non-current portions, other borrowings and loans from an intermediate holding company, less cash and cash equivalents and pledged deposits. The debt-to-asset ratio is total liabilities net of advances from customers divided by total assets. The gearing ratio as at the end of the reporting period was as follows:

36. Financial risk management objectives and policies (continued)

Capital management (continued)

	31 December 2020 RMB'000	31 December 2019 RMB'000
Interest-bearing bank borrowings	515,000	834,523
Loans from financial institutions	261,492	
Loans from financial institutions classified as held for sale	-	872,055
Guaranteed bonds	9,260,681	8,931,874
Less: Cash and cash equivalents	7,625,395	7,512,739
Pledged deposits	400	400
Cash and cash equivalents classified as held for sale	-	25,521
Pledged deposits classified as held for sale	-	3,076
Net debt	2,411,378	3,096,716
Total equity	2,121,687	2,082,448
Total equity plus net debt	4,533,065	5,179,164
Gearing ratio	53.20%	59.79%

The debt-to-asset ratio as at the end of the reporting period was as follows:

	2020 RMB'000	2019 RMB'000
Total liabilities	15,884,447	18,489,124
Less: Advance from customers	29,097	47,787
Contract liabilities	77,464	55,657
	15,777,886	18,385,680
Total assets	18,006,134	20,571,572
Debt-to-asset ratio	87.63%	89.37%

37. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	-	-
Loans to subsidiaries	-	52,890
Long-term receivable	-	253,890
Loans to a related party	745,134	-
Right of use asstes	4,427	7,854
Total non-current assets	749,561	314,634
CURRENT ASSETS		
Trade receivables, prepayments and other receivables	181,333	357,055
Due from subsidiaries	5,447,384	883,558
Loans to subsidiaries	734,725	7,574,330
Loans to a related party	130,476	-
Interest receivable from a related party	6,210	-
Cash and cash equivalents	5,236,584	4,650,278
Total current assets	11,736,712	13,465,221
CURRENT LIABILITIES		
Trade payables, other payables and accruals	8,272,180	9,622,754
Lease liabilities	3,168	3,172
Interest-bearing bank borrowings	130,592	-
Total current liabilities	8,405,940	9,625,926
NET CURRENT ASSETS	3,330,772	3,839,295
TOTAL ASSETS LESS CURRENT LIABILITIES	4,080,333	4,153,929
NON-CURRENT LIABILITIES		
Lease liabilities	1,658	5,137
Interest-bearing bank borrowings	-	139,523
Total non-current liabilities	1,658	144,660
NET ASSETS	4,078,675	4,009,269
EQUITY		
Issued capital	-	-
Reserves (note)	4,078,675	4,009,269
Total equity	4,078,675	4,009,269

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Qi Jie
Sole Director

37. Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2019	3,016,106	(956,670)	447,820	2,507,256
Loss for the year	-	(743,845)	-	(743,845)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	-	-	48,355	48,355
Total comprehensive income for the year	-	(743,845)	48,355	(695,490)
Capital contributions from shareholder	2,197,503	-	-	2,197,503
At 31 December 2019	5,213,609	(1,700,515)	496,175	4,009,269
Gain for the year	-	324,299	-	324,299
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	-	-	(254,893)	(254,893)
Total comprehensive income for the year	-	324,299	(254,893)	69,406
At 31 December 2020	5,213,609	(1,376,216)	241,282	4,078,675

38. Approval of the financial statements

The financial statements were approved and authorised for issue by the sole director on 26 March 2021.

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT

To the member of Wanda Commercial Properties (Hong Kong) Co. Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Wanda Commercial Properties (Hong Kong) Co. Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 109, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the consolidated financial statements and auditor's report thereon

The sole director of the Company is responsible for the other information. The other information comprises the information included in the sole director's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the sole director for the consolidated financial statements

The sole director of the Company is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the sole director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the sole director of the Company is responsible for assessing the Group's ability to continue as a going concerotaln, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the sole director of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To the member of Wanda Commercial Properties (Hong Kong) Co. Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the sole director.
- Conclude on the appropriateness of the sole director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT(CONTINUED)
To the member of Wanda Commercial Properties (Hong Kong) Co. Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the sole director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Certified Public Accountants
Hong Kong
31 March 2020

B-HK

	Notes	2019 RMB'000	2018 RMB'000 (Restated)
CONTINUING OPERATIONS			
Revenue	5	860,032	826,971
Cost of sales		(261,357)	(158,574)
Gross profit		**598,675**	**668,397**
Other income and gains	6	159,274	31,432
Net valuation loss on investment properties	13	(623,270)	(41,687)
Selling expenses		(33,528)	(38,013)
Administrative expenses		(203,554)	(203,585)
Other expenses	6	(82,899)	(364,016)
Finance costs	8	(511,617)	(662,586)
Loss before tax from continuing operations	7	**(696,919)**	**(610,058)**
Income tax credit/(expense)	10	30,003	(103,276)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(666,916)	(713,334)
DISCONTINUED OPERATIONS			
(Loss)/profit for the year from discontinued operations	11	(1,049,672)	1,006,828
(Loss)/profit for the year		(1,716,588)	293,494
Attributable to:			
Owners of the parent		(1,361,771)	297,591
Non-controlling interests		(354,817)	(4,097)
		(1,716,588)	293,494

	Note	2019 RMB'000	2018 RMB'000
(Loss)/profit for the year		(1,716,588)	293,494
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of the financial statements of foreign operations		(115,247)	(299,854)
Reclassification adjustments for a foreign operation disposed of during the year	32	8,855	(4,147)
Other comprehensive income for the year, net of tax		(106,392)	(304,001)
Total comprehensive income for the year		(1,822,980)	(10,507)
Attributable to:			
Owners of the parent		(1,437,210)	(31,170)
Non-controlling interests		(385,770)	20,663
		(1,822,980)	(10,507)

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	124,164	591,171
Freehold land	12	-	139,420
Investment properties	13	3,793,000	5,412,000
Right-of-use assets	14(b)	266,951	-
Prepaid land lease payments	14(a)	-	14,665
Other intangible assets	15	9,541	6,365
Goodwill	16	286,751	286,751
Long-term receivable	21	253,890	311,826
Deferred tax assets	17	13,390	52,051
Total non-current assets		4,747,687	6,814,249
CURRENT ASSETS			
Properties under development	18	-	3,608,504
Completed properties held for sale	19	-	458,724
Trade and bill receivables	20	197,559	281,650
Pepayments, other receivables and other assets	21	3,625,386	5,125,480
Contract assets	22	12,990	-
Contract incremental costs		-	51,155
Prepaid tax		-	111,136
Pledged deposits	23	400	9,042
Cash and cash equivalents	23	7,512,739	4,587,167
		11,349,074	14,232,858
Assets classified as held for sale	11	4,474,811	-
Total current assets		15,823,885	14,232,858
CURRENT LIABILITIES			
Trade payables, other payables and accruals	24	6,531,380	10,444,467
Contract liabilities	25	31,769	581,627
Receipts in advance		47,787	78,753
Loans from financial institutions	26	70,000	1,267,124
Lease liabilities	14(c)	10,590	-
Other borrowings		-	11,234
Guaranteed bond	27	2,086,477	-
Tax payable	28	106,457	229,131
		8,884,460	12,612,336
Liabilities directly associated with the assets classified as held for sale	11	1,307,626	-
Total current liabilities		10,192,086	12,612,336
NET CURRENT ASSETS		5,631,799	1,620,522
TOTAL ASSETS LESS CURRENT LIABILITIES		10,379,486	8,434,771

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	764,523	1,729,800
Contract liabilities	25	23,888	-
Other borrowings		-	326,622
Guaranteed bond	27	6,845,397	4,050,224
Deferred tax liabilities	17	394,750	629,092
Lease liabilities	14(c)	262,153	-
Other non current liabilities		6,327	-
Total non-current liabilities		8,297,038	6,735,738
Net assets		2,082,448	1,699,033
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	-	-
Accumulated losses		(4,001,904)	(2,640,133)
Other reserves	30	4,944,374	2,822,310
		942,470	182,177
Non-controlling interests		1,139,978	1,516,856
Total equity		2,082,448	1,699,033

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Qi Jie
Sole Director

	Attributable to owners of the parent						
	Issued capital RMB'000 note 29	Capital reserve RMB'000 note 30	Exchange fluctuation reserve RMB'000 note 30	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018	-	3,016,106	295,797	(2,937,724)	374,179	1,346,478	1,720,657
Profit for the year	-	-	-	297,591	297,591	(4,097)	293,494
Other comprehensive income for the year:	-	-	(328,761)	-	(328,761)	24,760	(304,001)
Total comprehensive income for the year	-	-	(328,761)	297,591	(31,170)	20,663	(10,507)
Capital contributions from minority shareholders	-	-	-	-	-	8,831	8,831
Acquisition of non-controlling interests	-	13,653	-	-	13,653	(20,143)	(6,490)
Dilution interest in a subsidiary	-	(174,485)	-	-	(174,485)	174,485	-
Dividends paid to a non-controlling shareholder	-	-	-	-	-	(13,458)	(13,458)
As at 31 December 2018	-	2,855,274*	(32,964)*	(2,640,133)	182,177	1,516,856	1,699,033

continued/…

WANDA COMMERCIAL PROPERTIES (HONG KONG) CO. LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the parent						
	Issued capital RMB'000 note 29	Capital reserve RMB'000 note 30	Exchange fluctuation reserve RMB'000 note 30	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019	-	2,855,274	(32,964)	(2,640,133)	182,177	1,516,856	1,699,033
Profit for the year	-	-	-	(1,361,771)	(1,361,771)	(354,817)	(1,716,588)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	(84,294)	-	(84,294)	(30,953)	(115,247)
Reclassification adjustments for a foreign operation disposed of during the year	-	-	8,855	-	8,855	-	8,855
Total comprehensive income for the year	-	-	(75,439)	(1,361,771)	(1,437,210)	(385,770)	(1,822,980)
Capital injection from owners of the parent	-	2,197,503**	-	-	2,197,503	-	2,197,503
Disposal of subsidiaries	-	-	-	-	-	8,892	8,892
As at 31 December 2019	-	5,052,777*	(108,403)*	(4,001,904)	942,470	1,139,978	2,082,448

* These reserve accounts comprise the consolidated other reserves of RMB4,944,374,000 (2018: RMB2,822,310,000) in the consolidated statement of financial position.

** On 31 December 2019, the immediate holding company of the Company, Dalian Wanda Commercial Management Group Co., Ltd ("Dalian Wanda"), committed in writing to the Company that the Company has full discretion on the repayment of payable to Dalian Wanda of US$315,000,000 (equivalent to RMB2,197,503,000), such funding to the Company form part of the Dalian Wanda's investment in the Company and is treated as addition to the Company's capital reserve.

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
(Loss) /profit before tax			
From continuing operations		(696,919)	(610,058)
From discontinued operations		(899,933)	1,148,818
Adjustments for:			
Finance costs		544,830	739,492
Bank Interest Income		(30,971)	(36,936)
Depreciation of property, plant and equipment	12	14,144	13,108
Depreciation of right-of-use assets	14	21,524	-
Impairment of property, plant and equipment	12	736	1,357
Impairment of completed properties held for sale	19	3,997	-
Loss/(gain) on disposal of subsidiaries	11	75,049	(1,289,012)
Amortisation of prepaid land lease payments	14(a)	-	411
Amortisation of other intangible assets	15	829	707
Loss on disposal of items of property, plant and equipment		305	214
Loss/(gain) on disposal of investment properties		-	3,294
Loss on disposal of project assets		-	413,427
Impairment/(reversal of impairment) of trade receivables, other receivables and contract assets		967,728	(26,202)
Fair value loss of investment properties	13	623,270	41,687
Decrease in properties under development and completed properties held for sale		181,580	1,293,690
Decrease/(increase) in prepaid tax		111,136	(13,129)
Decrease/(increase) in trade and bill receivables		59,315	(155,422)
Increase in prepayments and other receivables		(392,091)	(1,115,198)
Increase in contract assets		(13,038)	-
Decrease/(increase) in contract incremental cost		546	(49,486)
Decrease in receipts in advance		(30,966)	(888,639)
(Decrease)/increase in contract liabilities		(559,830)	581,627
(Decrease)/increase in trade payables, other payables and accruals		(1,205,282)	2,068,296
Cash (used in)/from operations		**(1,224,041)**	**2,122,046**
Interest portion of the lease payments		(8,613)	-
Tax paid		(254,281)	(154,704)
Net cash flows (used in)/from operating activities		**(1,486,935)**	**1,967,342**

	Note	2019 RMB'000	2018 RMB'000
Cash flows from investing activities			
Purchases of items of property, plant and equipment		(265,143)	(313,299)
Interest received		30,971	36,936
Increase in time deposits with maturity of more than three months		(200,000)	-
Decrease in restricted bank deposits		8,642	-
Disposal of subsidaries	32	290,311	1,891,989
Proceeds received on debt collection from buyer on behalf of the disposed subsidiaries		833,541	4,098,638
Proceeds from disposal of investment properties		89,132	40,015
Proceeds from disposal of items of property, plant and equipment		431	672,907
Net cash flows from investing activities		**787,885**	**6,427,186**
Cash flows from financing activities			
Capital injection from non-controlling shareholders		-	8,831
Capital withdrawn by non-controlling shareholders		-	(6,490)
Increase in an amount due to an intermediate holding company		-	7,808,921
Proceeds from Guaranteed bonds		4,788,142	-
Proceeds from bank loans and other borrowings		347,941	1,427,985
Repayment of bank loans and other borrowings		(1,318,436)	(16,708,041)
Principal portion of lease payments		(15,313)	-
Interest paid		(406,547)	(868,348)
Net cash flows from/(used in) financing activities		**3,395,787**	**(8,337,142)**
Net increase in cash and cash equivalents		**2,696,737**	**57,386**
Cash and cash equivalents at the beginning of year		4,587,167	4,226,503
Cash and cash equivalents included in assets classified as held for sale at the beginning of the year		-	288,125
Effect of foreign exchange rate changes, net		54,356	15,153
Cash and cash equivalents at the end of year		**7,338,260**	**4,587,167**

	Note	2019 RMB'000	2018 RMB'000 (Restated)
Analysis of balances of cash and cash equivalents			
Cash and bank balances	23	7,313,139	4,592,709
Time deposits	23	200,000	3,500
Less: Restricted cash and pledged deposits	23	(400)	(9,042)
Cash and cash equivalents as stated in the consolidated statement of financial position		7,512,739	4,587,167
Cash and cash equivalents included in assets classified as held for sale		25,521	-
Less: time deposits with maturity of more than three months when acquired		(200,000)	-
Cash and cash equivalents as stated in the consolidated statement of cash flows		7,338,260	4,587,167

1. Corporate and group information

Wanda Commercial Properties (Hong Kong) Co. Limited ("the Company") is a limited liability company incorporated in Hong Kong under the Hong Kong Companies Ordinance on 6 February 2013. The registered office address of the Company is located at Unit 606, 6th Floor, Alliance Building, 133 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") is principally engaged in property development, property investment, property management, hotel development and operation, hotel management, hotel design and hotel construction management services in the People's Republic of China (the "PRC") and overseas during the year.

In the opinion of the Company's sole director (the "Director"), the immediate holding company of the Company is Dalian Wanda Commercial Management Group Co., Ltd. ("Dalian Wanda"), a company established in the PRC and the ultimate holding company of the Company is Dalian Wanda Group Co., Ltd., a company established in the PRC.

Information about subsidiaries
Particulars of the Company's principal subsidiaries are as follows:

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wanda Properties Overseas Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Group Americas, LLC	USA	-	100%	-	Investment holding
Wanda 717 Fifth Avenue LLC	USA	-	-	100%	Dormant
Wanda Commercial Properties First Investment Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties First Investment (Hong Kong) Limited*	HK	HK$1	-	100%	Investment holding
Panjin Wanda Plaza. Property Co., Ltd (note i)	PRC	RMB 1,800,000,000	-	100%	Property development
Wanda Properties International Co. Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Second Investment Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Second Investment (Hong Kong) Limited*	HK	HK$1	-	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)
Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shiyan Wanda Plaza Property Co., Ltd (note i)	PRC	RMB 1,700,000,000	-	100%	Property development
Wanda Los Angeles Real Estate Investment Co., Limited*	HK	HK$1	100%	-	Investment holding
Wanda Los Angeles Properties Co., Ltd	US	US$10	-	100%	Investment holding
Wanda Beverly Hills Properties LLC	US	-	-	100%	Property development
Wanda Australia Commercial Properties Co., Limited*	HK	HK$1	100%	-	Investment holding
Wanda Properties Global Co. Ltd.	BVI	US$ 1	100%	-	Investment holding
Wanda Real Estate Investments Limited	BVI	US$1	100%	-	Investment holding
Wanda Commercial Properties Overseas Limited	BVI	US$1	-	100%	Investment holding
#Wanda Hotel Development Company Limited	Bermuda	HK$100	-	65.04%	Investment holding
# Wanda Properties Investment Limited	BVI	100 ordinary shares of US$0.01 each	49%	51%	Investment holding
# Wanda Commercial Properties Investment Co., Limited*	HK	HK$1	-	100%	Investment holding
# Guilin Gaoxin Wanda Plaza Co., Ltd. (note i)	PRC	US$ 180,000,000	-	100%	Property development
# Wanda Americas Real Estate Investment Co., Ltd.*	HK	HK$1	40%	60%	Investment holding
# Wanda Americas Commercial Properties Co., Ltd.	USA	1,000 ordinary shares of US$0.1 each	-	100%	Investment holding

1. Corporate and group information (continued)

Information about subsidiaries (continued)
Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of the company	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
# Wanda Chicago Real Estate LLC	USA	US$10	-	100%	Investment holding
# Parcel C LLC	USA	US$300,000,000	-	90%	Property Development
# Wanda Australia Real Estate Investment Co., Ltd.*	HK	HK$1	40%	60%	Investment holding
#Wanda Hotel Management (HK) Co. Ltd.*	HK	HK$1	-	100%	Property management
#Wanda Hotel Management (Shanghai) Co. Ltd. (note i)	PRC	US$ 10,000,000	-	100%	Hotel management
# Horgos Wanda Engineering Construction Management Consulting Company Limited (note i)	PRC	RMB 10,000,000	-	100%	Construction consulting
#Wanda Moment Shanghai Qingpu Co., Ltd. (note i)	PRC	RMB 10,000,000	-	100%	Hotel operation
#Wanda Moment Nanchang West Train Station Co., Ltd. (note i)	PRC	RMB 10,000,000	-	100%	Hotel operation
Wanda Moment Ningbo Co., Ltd. (note i)	PRC	RMB 10,000,000	-	100%	Hotel operation
#Wanda Shanghai Wantao Trading Co., Ltd. (note i)	PRC	RMB 10,000,000	-	100%	Sale of goods
#Wanda Xiamen Wandefu Catering Management Co., Ltd. (note i)	PRC	RMB 10,000,000	-	100%	Sale of goods

Notes:

i These entities are wholly-foreign-owned enterprises established in the PRC.

ii The companies marked with # were in the consolidation scope of Wanda Hotel Development Company Limited ("Wanda Hotel Development"), a listed company on the Main Board of The Stock Exchange of Hong Kong.

iii Except for the statutory financial statements of companies marked with *, the statutory financial statements of the other subsidiaries of the Group for the year ended 31 December 2019 were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

1. Corporate and group information (continued)

The above table lists of the subsidiaries of the Company which, in the opinion of the sole director, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the sole director, result in particulars of excessive length.

2. Basis of preparation and accounting policies

2.1 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, accounting principles generally accepted in Hong Kong and 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. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4.These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. Basis of preparation and accounting policies(continued)

2.1 Basis of preparation(continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, amendments to HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRS is described below:

（a）HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2. Basis of preparation and accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of office, hotel building and warehouse. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition
Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately from other liabilities in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

2. Basis of preparation and accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

（a） (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/(decrease) RMB'000
Assets	
Increase in right-of-use assets	34,721
Decrease in prepaid land lease payments	(14,665)
Decrease in prepayments, other receivables and other assets	(87)
Increase in total assets	19,969
Liabilities	
Increase in lease liabilities	19,969
Increase in total liabilities	19,969

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	22,645
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	16,322
Add: Payments for optional extension periods not recognised as at 31 December 2018	14,642
	20,965
Weighted average incremental borrowing rate as at 1 January 2019	4.99%
Lease liabilities as at 1 January 2019	19,969

2. Basis of preparation and accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021
[3] No mandatory effective date yet determined but available for adoption

2. Basis of preparation and accounting policies (continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, completed properties held for sale, properties under development, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity) ; and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated residual values and useful lives for this purpose are as follows:

	Useful lives	Residual values
Freehold land	Not depreciated	Not depreciated
Properties	35-40 years	5%
Leasehold improvements	over the shorter of the lease term or 5 years	Nil
Office equipment	3-5 years	0-10%
Motor vehicles	5 years	0-10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual value, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost mainly comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Properties under construction or development for future use as an investment property is classified as investment property under construction. Such properties under construction are measured initially at cost, including transaction costs, and stated at fair value, subsequent to initial recognition, at each reporting date when fair value can be determined reliably. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be reliably determined or construction is completed.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office	2 to 6 years
Hotel building	15 to 20 years
Warehouse	1 to 2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately from other liabilities in the statement of financial position.

(a) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office and warehouse (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and plant that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Leases (applicable from 1 January 2019) (continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts
Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period. The net realisable value of properties under development is determined by establishing the market values of the properties on an “as-if” completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable profit margin.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties. The net realisable value is determined by reference to the sales proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management’s estimates based on the prevailing market conditions, on an individual property basis.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of properties
Revenue from the sale of properties is recognised at the point in time when control of the property is transferred to the purchasers, generally on the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(b) Hotel management services
Revenue from hotel management is recognised in the accounting period in which the services are rendered.

(c) Investment property leasing and management services
Revenue arising from investment property leasing and management is recognised in the accounting period in which the services are rendered.

(d) Hotel design and hotel construction management services
Revenue arising from hotel design and hotel construction management is recognised in the accounting period in which the services are rendered.

(e) Provision of management services
Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(f) Loyalty program management service fee
Revenue from the loyalty program management service fee is generated from the services provided in relation to the loyalty program. The program reward members with points for each stay at the hotels or certain other consumption at the hotels, which are then redeemable for free hotel nights and other goods and services. The Group defers cash amount received from participating hotels as the future redemption obligation, and such points that will eventually be redeemed as revenue when they are used or on the expiry date.

(g) Sales of goods
Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(h) Hotel operation
Revenue from the hotel operation is recognised at the point in time when the services are rendered.

Revenue from other sources
Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Certain subsidiaries outside Hong Kong are required to contribute a certain percentage of their payroll costs to pension schemes operated by the respective governments. The only obligation of the Group with respect to the pension schemes is to pay the required ongoing contributions. Contributions under the schemes are charged to profit or loss as they become payable in accordance with the rules of the pension schemes.

The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

Hong Kong dollars is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2. Basis of preparation and accounting policies (continued)

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measure in fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference is on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company, certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas companies which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers under sale of properties
The Group applied the judgements that significantly affect the determination of the timing of satisfaction of sale of properties. The Group concluded that revenue for sale of properties is to be recognised at the point in time because the Group does not have an enforceable right to payment for performance completed to date in case of pre-completion sales, and accordingly, the criteria for recognising revenue over time are not met. The Group expects to recognise the sale of properties until the point in time at which the Group delivers the properties to the purchasers.

Property lease classification – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Significant judgement in determining the lease term of contracts with renewal options
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements to the leased asset).

3. Significant accounting judgements and estimates (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Fair value of investment properties
The investment properties of the Group are measured at fair value, which were revalued based on the appraised market value by an independent professional valuer. The fair value 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 or, where appropriate, by reference to market evidence of transaction prices for similar properties in the surrounding areas. The fair value of investment properties under development was determined by establishing the market values of the properties on an "as-if" completed basis with appropriate deduction on construction costs, professional fees and interests to be incurred from the valuation date to completion as well as a reasonable margin. The determination of the fair value for completed investment properties requires the Group to estimate reversionary potential of the properties while for investment properties under development, estimates on costs to be incurred and future margin are required in the valuation.

The carrying amount of investment properties as at 31 December 2019 was RMB3,793,000,000 (2018: RMB5,412,000,000). Further details, including the key assumptions used for fair value measurement are stated in note 13 to the financial statements.

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the financial statements.

Provision for expected credit losses on pepayments, other receivables and other assets
As disclosed in note 21(a) to the financial statements, the outstanding proceeds receivables in relation with disposal of subsidiaries of GBP 40 million (equivalent to RMB362,004,000) and AUD 105 million (equivalent to RMB512,282,000) in a prior year was overdue for more than one year. Despite the Group's repeated efforts in obtaining settlement, the outstanding amount of the consideration remained unsettled as at 31 December 2019. In considering the recoverability of the outstanding balance, the director of the Company is of the view that the total amount of RMB874,286,000 may not be recoverable with reliable certainty and hence a fully impairment loss against these amounts were recognised in profit or loss during the year ended 31 December 2019.

A estimation is required in assessing the ultimate realisation of this receivable, including the current creditworthiness of the recievables and the ultimate materialisation of the plan to recover the outstanding amount of the remaining consideration.

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

PRC corporate income tax ("CIT")
The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the CIT provision to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the CIT expense and CIT provisions in the period in which the differences are realised.

Impairment of non-financial assets (other than goodwill)
The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets
Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives and impairment of property, plant and equipment
The Group's management determines the estimated useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitors' actions. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete assets that have been abandoned.

The carrying value of an item of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4. The recoverable amount of an item of property, plant and equipment is calculated as the higher of its fair value less costs to sell and value in use, the calculation of which involves the use of estimates.

4. Operating segment information

During the year ended 31 December 2019, the Company decided to cease the business segment of development and sale of properties after selling all its complated properties held for sale, therefore, the business segment of development and sale of properties was classified as discontinued operation.

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 four reportable operating segments and the corresponding items of segment information for the year ended 31 December 2018 have been restated. Particulars of the Group's reportable operating segments are summarised as follows:

(a) leasing and management of commercial properties held by the Group for long-term investment;

(b) hotel operation and hotel management services; and

(c) hotel design and construction management services.

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/(loss), which is a measured by adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) 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, other expenses as well as head office and unallocated corporate expenses are excluded from such measurement.

Segment assets exclude goodwill, deferred tax assets, restricted bank deposits, cash and cash equivalents, assets classified as held for sale and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, loans from financial institutions, loans from an intermediate holding company, other borrowings, tax payable, liabilities directly associated with the assets classified as held for sale and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

4. Operating segment information (continued)

Year ended 31 December 2019

	Investment Properties leasing and management RMB'000	Hotel management and operation RMB'000	Hotel design and construction management services RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	271,947	417,460	170,625	860,032
Intersegment sales	-	-	492	492
	271,947	417,460	171,117	860,524
Reconciliation:				
Elimination of intersegment sales				(492)
Revenue from continuing operations				860,032
Segment results	(376,942)	154,911	25,861	(196,170)
Reconciliation:				
Other income and gains				128,238
Other expenses-unallocated				(57,079)
Finance costs (other than interest on lease liability)				(503,004)
Administrative expenses-unallocated				(68,904)
Loss before tax from continuing operations				(696,919)

4. Operating segment information (continued)

Other segment information

	Investment Properties leasing and management	Hotel management and operation	Hotel design and construction management services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019				
Depreciation and amortisation				
-Segment assets	339	15,775	544	16,658
-Unallocated assets				5,344
				22,002
Capital expenditure*				
-Segment assets	818	80,944	236	81,998
-Unallocated assets				58
				82,056
Impairment loss recognised in the statement of profit or loss, net				
-Segment assets	-	1,150	23,867	25,017
-Unallocated assets				57,611
				82,628

*Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, construction in progress, freehold land and leasehold improvement.

4. Operating segment information (continued)

Year ended 31 December 2018 (Restated)

	Investment Properties leasing and management RMB'000	Hotel management and operation RMB'000	Hotel design and hotel construction management services RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	277,046	366,746	183,179	826,971
Intersegment sales	-	-	-	-
Revenue from continuing operations	277,046	366,746	183,179	826,971
Segment results	160,983	107,651	99,522	368,156
Reconciliation:				
Other income and gains				31,432
Other expenses-unallocated				(244,031)
Finance costs				(662,586)
Administrative expenses-unallocated				(103,029)
Loss before tax from continuing operations				(610,058)

4. Operating segment information (continued)

Other segment information

Year ended 31 December 2018 (Restated)

	Investment Properties leasing and management	Hotel management and operation	Hotel design and hotel construction management services	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018				
Depreciation and amortisation				
-Segment assets	-	1,685	609	2,294
-Unallocated assets				956
				3,250
Capital expenditure*				
-Segment assets	17,754	259,153	908	277,815
-Unallocated assets				-
				277,815
Impairment loss recognised in the statement of profit or loss				
-Segment assets	-	-	(46)	(46)
-Unallocated assets				-
				(46)

*Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, construction in progress, freehold land and leasehold improvement.

4. Operating segment information (continued)

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 sold or 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 in the case of goodwill.

	Reportable segment revenue from external customers		Specified non-current assets	
	2019 RMB'000	2018 RMB'000 (Restated)	2019 RMB'000	2018 RMB'000
The PRC (including Hong Kong)	857,121	824,816	4,734,297	6,216,022
Overseas	2,911	2,155	-	546,176
	860,032	826,971	4,734,297	6,762,198

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 for 2019 and 2018 is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Customer A	270,268	271,670
Customer B	132,906	164,339
Customer C	83,428	76,959
Others	373,430	314,003
	860,032	826,971

5. Revenue

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Revenue from contracts with customers		
Hotel management services	407,817	366,746
Hotel design and hotel construction management services	170,625	183,179
Hotel operation services	5,285	-
Sale of goods	4,358	-
Revenue from other sources		
Gross rental income from investment property operating leases:		
Variable lease payments that do not depend on an index or a rate	9,938	13,501
Other lease payments, including fixed payments	262,009	263,545
	860,032	826,971

5. Revenue (continued)

Revenue from contracts with customers
(i) Disaggregated revenue information

For the year ended 31 December 2019

	Operation of hotels, hotel management services $'000	Hotel design and construction management services $'000	Total $'000
Type of goods or services:			
Hotel management services	407,817	-	407,817
Hotel design and construction management services	-	170,625	170,625
Hotel operation income	9,643	-	9,643
Total revenue from contracts with customers	417,460	170,625	588,085
Geographical markets:			
The PRC (including Hong Kong)	417,460	167,714	585,174
Overseas	-	2,911	2,911
Total revenue from contracts with customers	417,460	170,625	588,085
Timing of revenue recognition:			
Goods transferred at a point in time	4,358	-	4,358
Services transferred over time	413,102	170,625	583,727
Total revenue from contracts with customers	417,460	170,625	588,085

5. Revenue (continued)

Revenue from contracts with customers
(i) Disaggregated revenue information

For the year ended 31 December 2018

	Operation of hotels, hotel management services $'000	Hotel design and construction management services $'000	Total $'000
Type of goods or services:			
Hotel management services	366,746	-	366,746
Hotel design and construction management services	-	183,179	183,179
Total revenue from contracts with customers	366,746	183,179	549,925
Geographical markets:			
The PRC (including Hong Kong)	366,746	181,024	547,770
Overseas	-	2,155	2,155
Total revenue from contracts with customers	366,746	183,179	549,925
Timing of revenue recognition:			
Services transferred over time	366,746	183,179	549,925

5. Revenue (continued)

Revenue from contracts with customers (continued)
(i) Disaggregated revenue information (continued)

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:

	2019 RMB'000	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Hotel operation and hotel management services	4,157	3,361
Hotel design and hotel construction management services	14,686	-
	18,843	3,361

(ii) Performance obligations

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

Hotel management services, hotel design and hotel 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
The performance obligation is satisfied as services are rendered and payment is generally received in advance or due immediately once the customers checked out of the hotel.

Loyalty program management services
The performance obligation is satisfied as members' points are used or expired, and the payment from hotels who participated in the loyalty program is received in advance.

Sale of goods
The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required.

Except the performance obligation in relation with hotel design services, all of other remaining performance obligations are expected to be recognised within one year.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of hotel design and hotel construction management services as at 31 December are as follows:

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	136,627	124,230
More than one year	121,422	290,389
	258,049	414,619

6. Other income and gains and other expenses

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

	2019 RMB'000	2018 RMB'000 (Restated)
Other income and gains		
Bank interest income	24,420	17,506
Exchange gain, net	91,848	-
Income from lessees on breach of contracts	31,585	6
Other interest income from financial assets at fair value through profit or loss	6,551	3,543
Others	4,870	10,377
	159,274	31,432

An analysis of other expenses are as follows:

	2019 RMB'000	2018 RMB'000 (Restated)
Other expenses		
Exchange loss, net	-	364,059
Impairment of trade receivables	24,778	199
Impairment of other receivables	57,802	(245)
Impairment of contract assets	48	-
Others	271	3
	82,899	364,016

7. Loss before tax from continuing operations

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

		2019 RMB'000	2018 RMB'000 (Restated)
Cost of goods sold		3,972	-
Cost of services provided		221,276	131,784
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		36,109	26,790
		261,357	158,574
Depreciation of property, plant and equipment		2,927	2,139
Depreciation of right-of-use assets (2018: Amortisation of land lease payments)		18,250	411
Amortisation of other intangible assets		825	700
Minimum lease payments under operating leases: for land and buildings		-	38,534
Lease payments not included in the measurement of lease liabilities		6,354	-
Employee benefit expense (excluding directors' remuneration)			
- Salaries and other staff costs		121,973	118,470
- Pension scheme contributions		3,603	3,505
		125,576	121,975
Foreign exchange differences, net		(91,848)	364,059
Impairment of financial and contract assets:			
Impairment/(reversal of impairment) of trade receivables	6	24,778	199
Impairment of contract assets	6	48	-
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	6	57,802	(245)
		82,628	(46)
Impairment of property, plant and equipment		-	1,357
Fair value gain, net: Net valuation loss on investment properties	13	623,270	41,687
Other interest income from financial assets at fair value through profit or loss	6	(6,551)	(3,543)
Bank interest income	6	(24,420)	(17,506)

8. Finance costs

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

	2019 RMB'000	2018 RMB'000 (Restated)
Interest on loans from financial institutions	66,169	174,360
Interest on guaranteed bonds	436,835	488,226
Interest on leases liabilities	8,613	-
	511,617	662,586

9. Director's remuneration

No director received any fees or emoluments in respect of their services rendered to the Company during the year 2019 (2018: Nil).

10. Income tax

	2019 RMB'000	2018 RMB'000
Current tax		
Corporate income tax for the year		
— Charge for the year	78,585	88,757
— Underprovision/(overprovision) in prior years	238	(485)
	78,823	88,272
Deferred tax (note 17)		
Origination and reversal of temporary differences:		
— Revaluation of properties	(107,402)	12,586
— Effect of adoption of HKFRS 16	(876)	-
— Others	(548)	2,418
	(108,826)	15,004
Total tax (credit)/expense for the year from continuing operations	(30,003)	103,276
Total tax charge for the year from discontinued operations	149,739	141,990
Total tax expense for the year	119,736	245,266

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) No provision for Hong Kong profits tax or overseas corporate income tax has been made in the consolidated financial statements as the Group did not have assessable profits in Hong Kong or overseas for the year (2018: Nil, except for the withholding tax in relation to the capital gains on the disposal of the entire equity interest in Wanda Australia Commercial Properties Pty. Ltd. ("Wanda Australia CP")).

(iii) Corporate income tax ("CIT")

The provision for the PRC CIT has been made at the applicable income tax rate of 25% on the assessable profits of the Group's subsidiaries in Mainland China (2018: 25%), except for the subsidiary of the Company established in Horgos, Xinjiang Uygur Autonomous region, enjoys 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.

10. Income tax (continued)

(iv) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. Prior to the actual cash settlement of the LAT liabilities, the LAT liabilities are subject to the final review/approval by the tax authorities.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rates, is as follows:

	2019 RMB'000	2018 RMB'000
Loss before tax from continuing operations	(696,919)	(610,058)
Profit/(loss) before tax from discontinued operations	(899,933)	1,148,818
	(1,596,852)	538,760
National tax calculated at rates applicable to loss in the tax jurisdictions concerned	(101,635)	307,063
Adjustments in respect of current tax of previous periods	238	(485)
Expenses not deductible for tax	240,333	185,522
Income not subject to tax	(157,842)	(440,024)
Tax losses not recognised	56,570	137,272
Deductible temporary difference not recognised	33,009	10,937
Effect of withholding tax at 30% on the disposal gain of Wanda Australia CP	-	27,341
Effect of withholding tax at 10% on the distributable profit of a Group's PRC subsidiary and effect of tax at 10% on the interest income from offshore loans of a Group's Hongkong subsidiary	-	14,284
Utilisation of deductible temporary differences and tax losses not recognised in prior years	(10,338)	(10,970)
Provision for LAT	79,201	19,101
Tax effect on LAT	(19,800)	(4,775)
Tax charge at the Group's effective rate	119,736	245,266
Tax (credit)/charge from continuing operations at the effective rate	(30,003)	103,276
Tax charge from discontinued operations at the effective rate	149,739	141,990

11. Discontinued Operations

Year ended 31 December 2019

From June 2019 onward, management of the Company has been in active discussions with the potential buyers for the disposal of its interest in Parcel C LLC ("Parcel C"), a subsidiary of the Group who hold a property under development in Chicago, the America. The Group will have no geographical business segment in America once completed the disposal. The Disposal of Parcel C is expected to be completed on [May 2020]. As at 31 December 2019, the negotiations for the sale were in progress and Parcel C was classified as a disposal company held for sale and as a discontinued operation.

During the year ended 31 December 2019, all the completed properties held for sale were sold, the Group has decided to cease its business in development and sale of properties so as focus its resources on the business of investment property management and hotel relevant services. Accordingly, the segment of development and sale of properties was classified as discontinued operation.

Year ended 31 December 2018

On 16 January 2018, the Company, Wanda Hotel Development and R&F Properties (HK) Company Limited ("R&F Properties") entered into a sale and purchase agreement in respect of the disposal of the entire issued share capital of Wanda International Real Estate Investment Co. Limited ("Wanda International") at a consideration of GBP59,348,797, and the Company, Wanda Hotel Development, R&F Properties and Wanda International entered into the relevant shareholder loan repayment agreement, pursuant to which R&F Properties has agreed to repay the debt for and on behalf of Wanda International to the Company and Wanda Hotel Development. The disposal of Wanda International has been completed on 6 July 2018.

On 18 January 2018, Wanda Australia Real Estate Investment Co., Limited ("Wanda Australia RE"), AWH Investment Group Pty Ltd ("AWH") and Wanda Australia Commercial Properties Pty Ltd. ("Wanda Australia CP") entered into a master agreement in respect of the proposed disposal of the entire equity interest in Wanda Australia CP subject to the terms contained therein, at the consideration of AUD315,044,422 and repayment of the debt in the amount of AUD815,107,691 in instalments. The disposal of Wanda Australia CP has been completed on 18 May 2018.

Wanda International and its subsidiaries ("Wanda International Group") and Wanda Australia CP and its subsidiaries ("Wanda Australia CP Group") were classified as discontinued operations for the years ended 31 December 2018.

11. Discontinued Operation (continued)

(i) Parcel C:

(a) The results for the year are presented below:

	2019 RMB'000	2018 RMB'000
Revenue	91	408
Other net gain	5,273	2,038
Selling expenses	(24,530)	(26,894)
Administrative expenses	(118)	(184)
Finance costs	(124)	-
Loss before tax from the discontinued operation	(19,408)	(24,632)
Income tax expense	-	-
Loss for the year from the discontinued operation	(19,408)	(24,632)

(b) The major classes of assets and liabilities of Parcel C classified as held for sale as at 31 December 2019 are as follows:

	2019 RMB'000
Property, plant and equipment (note 12)	918,476
Right-of-use assets (note 14(b))	1,227
Contract incremental cost	51,850
Properties under development (note 18)	3,474,661
Restricted bank deposits	3,076
Cash and cash equivalents	25,521
Assets classified as held for sale	4,474,811
Trade and other payables	(434,311)
Lease liability (note 14(c))	(1,260)
Loans from financial institution	(872,055)
Liabilities directly associated with the assets classified as held for sale	(1,307,626)
Net assets directly associated with Parcel C	3,167,185
Exchange reserve on translation of foreign operations	(3,765)

11 Discontinued Operation (continued)

(i) Parcel C (continued):

(c) The net cash flows incurred by Parcel C LLC are as follows:

	2019 RMB'000	2018 RMB'000
Operating activities	(656,630)	(569,710)
Investing activities	(230,683)	(68,419)
Financing activities	850,372	(132,570)
Effect of foreign exchange rate changes	(213)	1,574
Net cash flow	(37,154)	(769,125)

(d) Certain assets of Parcel C were pledged to secure the loans from financial institutions and bank facilities as follows:

	2019 RMB'000
Construction in progress	774,082
Freehold land	141,720
Properties under development	3,474,661
	4,390,463

The loans from financial institutions as at 31 December 2019 were guaranteed by an intermediate holding company, Dalian Wanda Commercial Management Group Co., Ltd.

11 Discontinued Operation (continued)

(ii) Ceased business in development and sale of properties:

(a) The results for the year are presented below:

	2019 RMB'000	2018 RMB'000
Revenue	1,188,875	1,097,002
Cost of sales	(969,256)	(708,062)
Other revenue	20,294	31,851
Other net loss	(23,094)	(402,318)
Selling expenses	(57,731)	(33,247)
Administrative expenses	(57,190)	(68,053)
Finance costs	(33,089)	(42,869)
Loss on disposal of subsidiaries (note 32)	(75,049)	-
Loss before tax from the discontinued operation	(6,240)	(125,696)
Income tax expense	149,738	114,649
Loss for the year from the discontinued operation	(155,978)	(240,345)

(b) The net cash flows incurred by the ceased business of development and sale of properties are as follows

	2019 RMB'000	2018 RMB'000
Operating activities	(104,549)	(158,920)
Investing activities	7,326	7,127
Financing activities	110,308	(86,712)
Net cash flow	13,085	(238,505)

11 Discontinued Operation (continued)

(iii) Wanda International Group:

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

	2019 RMB'000	2018 RMB'000
Other net loss	(362,004)	(3,641)
Selling expenses	-	(2,075)
Administrative expenses	-	(12,247)
Finance costs	-	(28,624)
Loss on disposal of subsidiaries	-	891,759
Loss before tax from the discontinued operation	(362,004)	845,172
Income tax expense	-	-
Loss for the year from the discontinued operation	(362,004)	845,172

(b) The net cash flows incurred by Wanda International Group up to the date of disposal are as follows:

	2018 RMB'000
Operating activities	(298,512)
Investing activities	(58,562)
Financing activities	109,371
Effect of foreign exchange rate changes	34,961
Net cash flow	(212,742)

11 Discontinued Operation (continued)

(iv) Wanda Australia CP Group:

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

	2019 RMB'000	2018 RMB'000
Other revenue	-	69,356
Other net loss	(512,282)	-
Selling expenses	-	(4,564)
Administrative expenses	-	(2,658)
Finance costs	-	(5,413)
Loss on disposal of subsidiaries	-	397,253
Loss before tax from the discontinued operation	(512,282)	453,974
Income tax expense	-	(27,341)
Loss for the year from the discontinued operation	(512,282)	426,633

(b) The net cash flows incurred by Wanda International Group up to the date of disposal are as follows:

	2018 RMB'000
Operating activities	(372,164)
Investing activities	(7,920)
Financing activities	343,881
Effect of foreign exchange rate changes	2,231
Net cash flow	(33,972)

12. Property, plant and equipment

	Bulidings held for own use RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Freehold land RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2019							
At 31 December 2018 and at 1 January 2019:							
Cost	10,289	25,057	4,279	139,420	564,520	43,078	786,643
Accumulated depreciation	(2,081)	(20,256)	(3,654)	-	-	(30,061)	(56,052)
Net carrying amount	8,208	4,801	625	139,420	564,520	13,017	730,591
At 1 January 2019, net of accumulated depreciation	8,208	4,801	625	139,420	564,520	13,017	730,591
Additions	-	6,573	958	-	253,535	65,528	326,594
Disposals	-	(310)	(454)	-	-	(4)	(768)
Disposal of subsidiaries	(7,693)	(86)	(67)	-	-	-	(7,846)
Transfer to assets held for sale (note 11)	-	-	-	(141,720)	(774,082)	(2,674)	(918,476)
Depreciation provided during the year	(515)	(2,024)	(1,014)	-	-	(10,591)	(14,144)
Impairment	-	(736)	-	-	-	-	(736)
Exchange realignment	-	-	-	2,300	7,021	(372)	8,949
At 31 December 2019, net of accumulated depreciation	-	8,218	48	-	50,994	64,904	124,164
At 31 December 2019:							
Cost	-	24,401	3,314	-	50,994	87,144	165,853
Accumulated depreciation	-	(16,183)	(3,266)	-	-	(22,240)	(41,689)
Net carrying amount	-	8,218	48	-	50,994	64,904	124,164

12. Property, plant and equipment (continued)

	Bulidings held for own use RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Freehold land RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and at 1 January 2018:							
Cost	10,306	23,146	4,250	925,368	429,877	38,966	1,431,913
Accumulated depreciation	(1,743)	(15,121)	(2,903)	-	-	(21,820)	(41,587)
Net carrying amount	8,563	8,025	1,347	925,368	429,877	17,146	1,390,326
At 1 January 2018, net of accumulated depreciation	8,563	8,025	1,347	925,368	429,877	17,146	1,390,326
Additions	-	1,030	-	-	268,681	2,874	272,585
Impairment	-	(1,357)	-	-	-	-	(1,357)
Disposals	-	(447)	-	(812,586)	(127,355)	-	(940,388)
Depreciation provided during the year	(338)	(3,778)	(751)	-	-	(8,241)	(13,108)
Exchange realignment	(17)	1,328	29	26,638	(6,683)	1,238	22,533
At 31 December 2018, net of accumulated depreciation	8,208	4,801	625	139,420	564,520	13,017	730,591
At 31 December 2018:							
Cost	10,289	25,057	4,279	139,420	564,520	43,078	786,643
Accumulated depreciation	(2,081)	(20,256)	(3,654)	-	-	(30,061)	(56,052)
Net carrying amount	8,208	4,801	625	139,420	564,520	13,017	730,591

As at 31 December 2019, none of the Group's building held for own use, freehold land and construction in progress(2018: building held for own use with a net carrying amount of RMB8,208,000, freehold land with a net carrying amount of RMB139,420,000 and construction in progress with a net carrying amount of approximately RMB532,813,000, respectively) were pledged to secure interest-bearing bank borrowings granted to the Group.

13. Investment properties

	Completed investment properties RMB'000
At 1 January 2018	5,738,000
Addition	17,754
Disposal	(43,309)
Net loss from a fair value adjustment	(41,687)
Reversal of over-accured development costs	(258,758)
At 31 December 2018 and 1 January 2019	5,412,000
Addition	818
Disposal	(880,000)
Net loss from a fair value adjustment	(623,270)
Reversal of over-accured development costs	(116,548)
At 31 December 2019	3,793,000

All the completed investment properties, including both land and building elements held by the Group were revalued at the end of the year based on valuations performed by an independent qualified valuer, Cushman & Wakefield Shenzhen Valuation Co., Ltd. ("Cushman & Wakefield", previously known as DTZ Debenham Tie Leung Limited). 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 change to the valuation techniques during the year.

Certain item of the investment properties are leased to third parties under operating leases, further summary details of which are included in note 14 to the financial statements.

13. Investment properties (continued)

As at 31 December 2019, certain items of the Group's investment properties with a carrying amount of RMB2,441,000,000 (2018: RMB2,939,739,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group as disclosed in note 26.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurements as at 31 December 2019 using			
	Quoted prices in active markets (Level 1 RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	3,793,000	3,793,000

	Fair value measurements as at 31 December 2018 using			
	Quoted prices in active markets (Level 1 RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Recurring fair value measurement for:				
Commercial properties	-	-	5,412,000	5,412,000

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

13. Investment properties (continued)

Fair value hierarchy (continued)

The Group's management has discussion with the valuers on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties as at 31 December 2019:

	Valuation techniques	Significant unobservable input	Range or weigh over	
			2019	2018
Shopping mall	Investment approach	Prevailing monthly market rents per square meter	RMB55 -RMB299	RMB54 -RMB283
		Reversionary yield	Mall: 7.0% Store: 6.0%	Mall: 7.0% Store: 6.0%
Car parks	Investment approach	Prevailing monthly market rents per lot	RMB395 -RMB426	RMB389 -RMB 425
		Reversionary yield	5.0%	5.0%

Prevailing market rents are estimated based on the independent valuer's view of recent letting transactions within the subject properties and other comparable properties. The higher the rents, the higher the fair value is. Reversionary yield is estimated by the independent valuer based on the risk profile of the properties being valued. The higher the yield, the lower the fair value is.

14. Leases

The Group as a lessee
The Group has lease contracts for various items of office, hotel building, warehouse and leased land used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 20 to 30 years, and no ongoing payments will be made under the terms of these land leases. Leases of office generally have lease terms between 2 and 6 years, hotel building generally have lease terms between 15 and 20 years, while warehouse generally has lease terms between 1 and 2 years . Other equipment generally has lease terms of 12 months or less and/or is individually of low value.

(a) Prepaid land lease payments (before 1 January 2019)

	Land-use right RMB'000
Carrying amount at 1 January 2018	15,076
Recognised in profit or loss during the year	(411)
Carrying amount at 31 December 2018	14,665

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office RMB'000	Hotel building RMB'000	Warehouse RMB'000	Prepaid land lease payments RMB'000	Total RMB'000
As at 1 January 2019	19,727	-	329	14,665	34,721
Addition	36,092	232,286	-	-	268,378
Depreciation charge	(13,946)	(6,956)	(211)	(411)	(21,524)
Transfer to assets classified as held for sale (note 11)	(1,227)	-	-	-	(1,227)
Exchange realignment	857	-	-	-	857
Disposal	-	-	-	(14,254)	(14,254)
As at 31 December 2019	41,503	225,330	118	-	266,951

14. Leases (continued)

(c) Lease liabilities

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

	2019 RMB'000
Carrying amount at 1 January 2019	19,969
New leases	268,378
Accretion of interest recognised during the year	8,613
Payments	(23,926)
Transfer to assets classified as held for sale (note 11)	(1,260)
Exchange realignment	969
Carrying amount at 31 December 2019	272,743
Analysed into:	
Current portion	10,590
Non-current portion	262,153

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2019 RMB'000
Interest on lease liabilities	8,613
Depreciation charge of right-of-use assets	21,524
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	6,521
Expense relating to leases of low-value assets (included in administrative expenses)	98
Total amount recognised in profit or loss	36,756

(e) The total cash outflow for leases is disclosed in note 33(c) to the financial statements.

14. Leases (continued)

The Group as a lessor

The Group leases its investment properties (note 13) consisting of four commercial properties in Shiyan, Panjing, Guilin and Fuzhou under operating lease arrangements, and the commercial properties in Fuzhou was disposed on 27 December 2019 upon the completion of the disposal of Amazing Wise Limited and its subsidiaries, further details of the disposal are disclosed in note 32 to the financial statements.. 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 RMB271,947,000 (2018: RMB277,046,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	198,788	221,564
After one year but within two years	155,134	165,843
After two years but within three years	93,943	121,511
After three years but within four years	78,206	98,763
After four years but within five years	64,445	92,245
After five years	252,449	332,269
	842,965	1,032,195

15. Other intangible assets

	Software RMB'000
At 1 January 2018	6,722
Additions	350
Amortisation provided during the year	(707)
At 31 December 2018 and 1 January 2019	6,365
Additions	4,007
Amortisation provided during the year	(829)
Disposal	(2)
At 31 December 2019	9,541

The other intangible assets arisen from software.

16. Goodwill

	2019 RMB'000	2018 RMB'000
Cost	286,751	286,751
Accumulated impairment	-	-
Net carrying amount	286,751	286,751

Impairment testing of goodwill

Goodwill acquired through the acquisition of Wanda Hotel Devlopment Company Limited ("Wanda Hotel Devlopment") (Formerly known as Hengli Commercial Properties (Group) Limited). The recoverable amount of Wanda Hotel Development has been determined based on a value in use calculation using discounted cash flow projections based on Wanda Hotel's five-year financial budgets approved by Wanda Hotel's management. The discount rate applied to the cash flow projections is 12% (2018: 12%). The growth rate used to extrapolate the cash flows beyond the five-year period is 3% (2018: 3%). Wanda Hotel's senior management believes that this growth rate is justified, given the unique infrastructure and characteristic services developed by Wanda Hotel Development.

17. Deferred tax assets and liabilities

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value adjustment of investment properties RMB’000
At 1 January 2018	624,109
Deferred tax charged to the statement of profit or loss during the year:	
-included in continuing operation	12,586
-included in discontinued operation	(7,603)
At 31 December 2018 and 1 January 2019	629,092
Deferred tax charged to the statement of profit or loss during the year	(107,402)
Disposal of subsidiaries during the year	(126,940)
At 31 December 2019	394,750

Deferred tax assets

	Provision of LAT RMB’000	Tax loss RMB’000	Pre-sales propertities in PRC RMB’000	HKFRS 16 RMB’000	Others RMB’000	Total RMB’000
At 1 January 2018	32,079	16,391	13,473	-	19,163	81,106
Deferred tax (charged)/credited to the statement of profit or loss during the year:						
-included in continuing operation	-	-	-	-	(2,418)	(2,418)
-included in discontinued operation	(13,500)	(202)	(4,367)	-	(8,568)	(26,637)
At 31 December 2018 and 1 January 2019	18,579	16,189	9,106	-	8,177	52,051
Deferred tax (charged)/credited to the statement of profit or loss during the year:						
-included in continuing operation	-	-	-	876	548	1,424
-included in discontinued operation	(18,579)	(16,189)	(9,106)	-	3,790	(40,084)
Exchange realignment	-	-	-	-	(1)	(1)
At 31 December 2019	-	-	-	876	12,514	13,390

17. Deferred tax assets and liabilities (continued)

Deferred tax assets have not been recognised in respect of the following items.

	2019 RMB'000	2018 RMB'000
Unused tax credits	360,376	698,824
Deductible temporary differences	35,712	40,383
	396,088	739,207

The above tax losses were mainly arose in Mainland China and the USA. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. As at 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Director, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. Properties under development

	RMB'000
At 1 January 2018	4,514,832
Additions	1,983,954
Transfer to completed properties held for sale	(611,151)
Disposal	(2,267,248)
Reversal of over-accrued development cost	(11,883)
Exchange realignment	
At 31 December 2018 and 1 January 2019	3,608,504
Additions	704,978
Disposal of a subsidiary	(353,746)
Reversal of over-accured cost	(10,469)
Transfer to completed properties held for sale (note 19)	(521,699)
Transfer to asset held for sale (note 11)	(3,474,661)
Exchange difference	47,093
At 31 December 2019	-

Properties under development represents the project cost, land acquisition cost, compensation cost and other preliminary infrastructure costs in relation to the Group's property development project situated in Panjin, Shiyan, the PRC and properties development projects situated in the United States.

As at 31 December 2019, none of the Group's properties under development (2018: RMB2,729,804,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group.

19. Completed properties held for sale

	RMB'000
1 January 2018	782,346
Transfer from Properties under development	611,151
Transfer to cost of properties sold	(645,998)
Reversal of over-accrued development cost	(288,775)
At 31 December 2018 and 1 January 2019	458,724
Addition	53,787
Transfer from Properties under development (note 18)	521,699
Disposal of subsidiaries	(57,089)
Impairment	(3,997)
Transfer to cost of properties sold	(954,567)
Reversal of over-accrued development cost	(18,557)
At 31 December 2019	-

As at 31 December 2019, none of the Group's properties held for sales (2018: RMB1,609,000) were pledged to secure interest-bearing bank borrowings and undrawn bank facilities granted to the Group.

20. Trade and bill receivables

		2019 RMB'000	2018 RMB'000
Trade receivables	(ii)	182,400	281,650
Bills receivables	(i)	15,159	-
		197,559	281,650

(i) Bills receivables

	2019 RMB'000	2018 RMB'000
Commericial acceptance bills	11,639	-
Bank acceptance bills	3,520	-
	15,159	-

(ii) Trade receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	207,954	283,549
Impairment	(25,554)	(1,899)
	182,400	281,650

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 operation of hotels, it's normally settled when the customer check out and leave the hotel, however, the Group may offer credit terms to certain corporate clients.

For the business of hotel management services, hotel design and hotel 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:

	2019 RMB'000	2018 RMB'000
Within 3 months	65,926	82,424
Over 3 months but within 6 months	28,369	42,893
Over 6 months but within 12 months	42,418	92,731
Over 12 months	45,687	63,602
	182,400	281,650

20. Trade and bill receivables (continued)

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

	2019 RMB'000	2018 RMB'000
At beginning of year	1,899	1,234
Impairment during the year, net		
-continuing operation (note 6)	24,778	199
-discontinued operation	(1,123)	466
At end of year	25,554	1,899

The increase in the loss allowance was due to certain outstanding contractual amounts was considered in default and the Group is unlikely to receive such outstanding contractual amounts in full.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. 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.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2019

		Past due				
	Current	Less than 3 months	3 to 6 months	6 to 12 months	Over 12 months*	Total
Expected credit loss rate	0.298%	0.860%	1.047%	1.644%	9.427%	1.282%
Gross carrying amount(RMB'000)	77,606	29,217	19,548	65,227	31,561	223,113
Expected credit losses(RMB'000)	233	251	205	1,071	23,794*	25,554

* Within the gross carrying amount over 12 months, RMB8,526,000 of which applied on the expected credit loss rate of 9.361%, such rate was established based on historical credit loss experience of over 12 months, adjusted for forward-looking factors specific to the economic environment, and accordingly RMB804,000 of expected credit losses was provided, the carring amount of RMB22,990,000 was considered to be unlikely to receive the outstanding contractual amounts and was fully impaired, there is no credit enhancements held by the Group on such outstanding amounts.

As at 31 December 2018

		Past due			
	Current	Less than 3 month	3 to 6 months	Over 6 months	Total
Expected credit loss rate	0.038%	0.149%	0.226%	2.446%	0.670%
Gross carrying amount (RMB'000)	82,455	42,957	92,940	65,197	283,549
Expected credit losses (RMB'000)	31	64	210	1,594	1,899

21. Prepayments, other receivables, other assets and long-term receivables

		2019 RMB'000	2018 RMB'000
Prepayments		5,416	5,594
Deposits and other receivables		1,476,958	2,472,245
Loans to related parties		301,718	153,795
Due from related parties		3,048,042	2,806,087
		4,832,134	5,437,721
Impairment allowance	(a)	(952,858)	(415)
		3,879,276	5,437,306
Current		3,625,386	5,125,480
Non-current		253,890	311,826
		3,879,276	5,437,306

The amounts due from related parties and loans to related parties are unsecured, interest free and repayable on demand.

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

	2019 RMB'000	2018 RMB'000
At 1 January	415	27,282
Impairment during the year, net		
-continuing operation (note 6)	57,802	(245)
-discontinued operation	886,223	(26,622)
Exchange differences	8,418	-
At 31 December	952,858	415

The above provision for impairment of other receivables is a provision for individually impaired other receivables.

The impairment provide during the current year was mainly in relation with the outstanding proceeds receivables in relation with disposal of subsidiaries of GBP 40 million (equivalent to RMB362,004,000) and AUD 105 million (equivalent to RMB512,282,000) in a prior year, which were overdue for more than one year. In considering the recoverability of the outstanding balance, the director of the Company is of the view that the total amount of RMB874,286,000 may not be recoverable with reliable certainty and hence a fully impairment loss against these amounts were recognised in profit or loss during the year ended 31 December 2019.

22. Contract assets

	2019 RMB'000	2018 RMB'000
Contract assets arising from:		
Hotel management services	13,038	-
Impairment	(48)	-
	12,990	-

Contract assets are initially recognised for revenue earned from hotel design services and the provision of related design services as the receipt of consideration is conditional on certain milestones were reached and the design results were confirmed by the customers. Upon completion of certain milestones of the design and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the year ended 31 December 2019, RMB48,000 was recognised as an allowance for excepted credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2019 is within one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	-	-
Impairment losses	48	-
At end of year	48	-

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables 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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	Current
Expected credit loss rate	0.368%
Gross carrying amount(RMB'000)	13,038
Expected credit losses(RMB'000)	48

23. Cash and cash equivalents and pledged deposits

	2019 RMB'000	2018 RMB'000
Cash and bank balances	7,313,139	4,592,709
Time deposits	200,000	3,500
	7,513,139	4,596,209
Less: Pledged for long-term bank loans	-	(4,327)
Pledged for other purposes	(400)	(4,715)
	(400)	(9,042)
Cash and cash equivalents	7,512,739	4,587,167

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB2,223,679,000 (2018: RMB2,305,490,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The time deposit is made for period of three years, but which could be withdraw at any time during the period depending on the immediate cash requirements of the Group. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

As at 31 December 2019, the amount of RMB400,000 of the Group's cash and bank balances (2018: cash and bank balances amounting to RMB827,000 and time deposits amounting to RMB3,500,000) were pledged to secure interest-bearing bank borrowings granted to the Group as disclosed in note 26.

24. Trade payables and other payables

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

	Notes	2019 RMB'000	2018 RMB'000
Trade payables	(a)	329,993	1,246,747
Amounts due to an intermediate holding company	(b)	5,343,118	7,817,377
Accruals		17,867	10,391
Amounts due to related parties	(b)	349,439	686,876
Other payables		490,963	683,076
		6,531,380	10,444,467

Notes:

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

	2019 RMB'000	2018 RMB'000
Within one year	220,319	965,547
Over one year but within two years	48,093	151,526
Over two years but within three years	61,581	129,674
	329,993	1,246,747

b) The amounts due to an intermediate holding companies and related parties are unsecured, interest-free and repayable on demand or within one year.

25 Contract liabilities

Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000	1 January 2018 RMB'000
Sale of properties	-	559,510	862,742
Property management services	-	634	653
Other services	55,657	21,483	7,251
Total contract liabilities	55,657	581,627	870,646
Current portion	31,769	581,627	870,646
Non-current portion	23,888	-	-

Contract liabilities include advances received to deliver properties, property management and other services. The decrease in contract liabilities in 2019 was mainly due to the net effect of the decrease in the contract liabilities of sale of properties and the increase in the contract liabilities of other services. Contract liabilities for other services represented advances received from hotels who participated in the loyalty program and the advances received in relation to the provision of hotel management services at the end of the year.

26. Loans from financial institutions

Loans from financial institutions were repayable as follows:

	2019 RMB'000	2018 RMB'000
Current:		
Bank loans - secured	70,000	1,267,124
Non-current:		
Bank loans - secured	764,523	1,729,800
	834,523	2,996,924
Repayable:		
Within 1 year or on demand	70,000	1,267,124
After 1 year but within 2 years	249,524	138,282
After 2 years but within 5 years	360,000	1,306,518
After 5 years	154,999	285,000
	834,523	2,996,924

The Group's other bank borrowings bear interest at floating rates. The range of the effective interest rates during the year is as follows:

	2019	2018
Effective interest rates	3.13%~5.145%	3.84%~6.50%

The carrying amounts of all the Group's borrowings during the year were denominated in RMB and US$. The denominated amounts at the year end are as follows:

	2019 RMB'000	2018 RMB'000
RMB loans and borrowings	695,000	972,282
USD loans and borrowings	139,523	2,024,642
	834,523	2,996,924

26. Loans from financial institutions (continued)

Assets of the Group pledged to secure the loans from financial institutions and bank facilities comprise:

	2019 RMB'000	2018 RMB'000
Building held for own use	-	8,208
Construction in progress	-	532,813
Freehold land	-	139,420
Investment properties (note 13)	2,441,000	2,939,739
Prepaid lease payments	-	14,665
Properties under development	-	2,729,804
Completed properties for sales	-	1,609
Restricted bank deposits (note 23)	400	4,327
	2,441,400	6,370,585

27. Guaranteed bonds

	2019 RMB'000	2018 RMB'000
Guaranteed bonds due 2020, listed		
Current	2,086,477	-
Guaranteed bonds due 2022&2024, listed		
Non-current	6,845,397	4,050,224
	8,931,874	4,050,224

On 30 January 2014, a subsidiary of the Group issued guaranteed bonds with a due date in January 2024 (“GB2024 Bonds”) in an aggregate principal amount of USD600 million. The GB2024 Bonds bear interest at a rate of 7.25% per annum, payable in arrears half-yearly on 29 January and 29 July of each year, commencing on 29 July 2014.

On 5 Dec 2019, a subsidiary of the Group issued guaranteed bonds with a due date in December 2022 (“GB2022 Bonds”) in an aggregate principal amount of USD400 million. The GB2022 Bonds bear interest at a rate of 7.375% per annum, payable in arrear half-yearly on 5 June and 5 Dec of each year, commencing on 5 June 2020.

On 12 March 2019, a subsidiary of the Group issued guaranteed bonds a with due date in February 2020 (“GB2020 Bonds”) in an aggregate principal amount of USD300 million. The GB2020 Bonds bear interest at a rate of 6.25% per annum, payable in arrear half-yearly on 1 September 2019 and 27 February 2020.

28. Tax payable

	2019 RMB’000	2018 RMB’000
Current tax payable:		
PRC corporate income tax	35,185	117,753
PRC land appreciation tax	71,272	111,378
	106,457	229,131

29. Share capital

	2019 RMB’000	2018 RMB’000
Issued and fully paid:		
1 (2018: 1) ordinary share	-	-

30. Reserves

The amounts of the Group’s reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 10 to 11 of the financial statements.

31. Partly-owned subsidiaries with material non-controlling interests

The following tables list out the information relating to subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Wanda Hotel Development RMB'000
2019	
Percentage of equity interest held by NCI	34.96%
Loss for the year allocated to NCI	(86,354)
Dividends declared to NCI	-
Accumulated balances of NCI at the reporting date	601,764
2018	
Percentage of equity interest held by NCI	34.96%
Loss for the year allocated to NCI	229,824
Dividends declared to NCI	-
Accumulated balances of NCI at the reporting date	680,307

31. Partly-owned subsidiaries with material non-controlling interests (continued)

	Wanda Hotel Development RMB'000
2019	
Revenue	754,697
Total expense and other net gain/(loss)	(1,269,219)
Loss for the year	(247,007)
Total comprehensive income for the year	(224,666)
Current assets	6,878,672
Non-current assets	1,714,876
Current liabilities	(5,792,977)
Non-current liabilities	(432,651)
Non-controlling interests	(646,628)
Net cash flows from/(used in)	
-operating activities	(730,602)
-investing activities	156,095
-financing activities	128,412
Effect of foreign exchange rate changes	(9,037)
Net decrease in cash and cash equivalents	(455,132)
2018	
Revenue	926,326
Total expense and other net gain/(loss)	(212,756)
Profit for the year	657,391
Total comprehensive income for the year	642,079
Current assets	7,143,363
Non-current assets	3,663,903
Current liabilities	(5,649,315)
Non-current liabilities	(2,346,919)
Non-controlling interests	(865,074)
Net cash flows from/(used in)	
-operating activities	3,642,512
-investing activities	1,114,351
-financing activities	(4,279,292)
Effect of foreign exchange rate changes	13,827
Net increase in cash and cash equivalents	491,398

32. Disposal of subsidiaries

On 13 December 2019, Wanda Hotel Development and Mr. Chen Chang Wei ("Mr. Chen", who owns 47% interest in Amazing Wise Limited) entered into the Sale and Purchase Agreement, pursuant to which Wanda Hotel Development has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the 53% of the issued share capital of Amazing Wise Limited, for a total consideration of $2,000,000 ("the Disposal"). The Group completed the Disposal on 27 December 2019, and upon the completion, Wanda Hotel Development no longer holds any interest in Amazing Wise Limited and its subsidiaries ("the Amazing Wise Group"). Further details of the Disposal have been set out in Wanda Hotel Development's announcements dated 13 December 2019 and 27 December 2019.

On 20 December 2019, the Group completed the disposal of its entire equity interest in 盘锦万达房地产开发有限公司("盘锦开发") to 辽宁中天企业集团有限公司 for a cash consideration of RMB297,585,000 (the "盘锦Disposal").

The net assets of Amazing Wise Group and 盘锦开发 at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment	7,846
Investment Properties	880,000
Right of use assets	14,254
Properties under development	353,746
Completed properties held for sale	57,089
Trade receivables	6,889
Prepayments, other receivables and other assets	165,684
Other current assets	3,000
Restricted bank deposits	3,737
Cash and cash equivalents	9,068
Receipt in advance	(16,977)
Other borrowings	(354,170)
Trade and other payables	(205,124)
Tax payable	(142,888)
Long-term loans	(299,500)
Deferred tax liabilities	(126,940)
Non-controlling interest	8,892
	364,606
Exchange fluctuation reserve	8,855
	373,461
Transaction cost	(967)
Loss on disposal of a subsidiary (note 11)	(75,049)
	299,379
Satisfied by:	
Cash	299,379

32. Disposal of subsidiaries (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 RMB'000
Total consideration	299,379
Cash and bank balances disposed of	(9,068)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	290,311

33. Note to the consolidated statement of cash flows

(a) Major non-cash transactions
During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB268,378,000 and RMB268,378,000, respectively, in respect of lease arrangements for office and hotel building (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Lease liabilities $'000	Loans from financial institutions $'000	Guaranteed bonds $'000	Other borrowings $'000	Interest payables for bank loans a and bonds $'000	Total $'000
At 31 December 2018	-	2,996,924	4,050,224	337,856	158,546	7,543,550
Effect of adoption of HKFRS 16	19,969	-	-	-	-	19,969
At 1 January 2019 (restated)	19,969	2,996,924	4,050,224	337,856	158,546	7,563,519
Changes from financing cash flows	(15,313)	(978,911)	4,788,142	8,416	(406,547)	3,395,787
New leases	268,378	-	-	-	-	268,378
Interest expenses	8,737	-	-	-	585,719	594,456
Interest paid classified as operating cash flows	(8,737)	-	-	-	-	(8,737)
Transfer to liabilities directly associated with the assets classified as held for sale	(1,260)	(872,055)	-	-	-	(873,315)
Disposal of subsidiaries	-	(299,500)	-	(354,170)	(122,275)	(775,945)
Foreign exchange movement	969	(11,935)	93,508	7,898	12,755	103,195
At 31 December 2019	272,743	834,523	8,931,874	-	228,198	10,267,338

2018

	Loans from financial institution RMB'000	Guaranteed bonds RMB'000	Other borrowings RMB'000	Interests payables of bank loans, other borrowings and bonds RMB'000	Total RMB'000
At 1 January 2018	14,171,732	7,781,755	239,976	273,750	22,467,213
Changes from financing cash flows	(11,423,461)	(3,939,907)	83,312	(868,348)	(16,148,404)
Interest expenses (note 8)	-	-	-	740,945	740,945
Foreign exchange movement	248,653	208,376	14,568	12,199	483,796
At 31 December 2018	2,996,924	4,050,224	337,856	158,546	7,543,550

33. Note to the consolidated statement of cash flows (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	15,356
Within financing activities	15,313

(d) Total taxes paid

The total taxes paid during the year were:

	2019 RMB'000	2018 RMB'000
Operating activities:		
PRC profits tax paid	218,508	94,269
PRC LAT tax paid	35,773	33,094
	254,281	127,363
Investing activities:		
Overseas taxes paid	-	27,341

34. Commitments

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for	2,450,651	3,384,387

The above commitments mainly include construction related costs to be incurred in respect of the Group's property development projects of Parcel C.

(b) Operating lease commitments as at 31 December 2018

The Group leased certain office premises under operating lease arrangements, negotiated for terms ranging from three to six years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	20,427
In the second to fifth years, inclusive	2,218
	22,645

35. Contingent liabilities

	2019 RMB'000	2018 RMB'000
Guarantees given to banks for:		
Mortgage facilities granted to purchasers of the Group's properties	224,375	854,735

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

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

36. Significant related party transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year:

	2019 RMB'000	2018 RMB'000
The immediate holding company:		
Receiving of services	3,000	18,115
Companies controlled by the ultimate controlling shareholder:		
Sale of goods	720	-
Rendering of services	73,212	77,084
Receiving of services	1,794	2,485
Rental income	13,219	8,850
Rental expense	13,081	10,558
Lending of loan	147,923	-

(b) Outstanding balances with related parties

	2019 RMB'000	2018 RMB'000
Trade receivables due from		
Companies controlled by the ultimate controlling shareholder and a close family member	22,146	29,504
Other receivables due from		
The immediate holding company	2,987,624	2,744,504
Companies controlled by the ultimate controlling shareholder and a close family member	60,418	61,583
Receipt in advance from		
Companies controlled by the ultimate controlling shareholder and a close family member	491	454
Other payables due to		
The immediate holding company	5,343,118	7,817,377
Companies controlled by the ultimate controlling shareholder and a close family member	349,439	686,876
Prepayment to		
Companies controlled by the ultimate controlling shareholder and a close family member	240	299
Loans to		
Companies controlled by the ultimate controlling shareholder and a close family member	301,718	153,795

36. Related party transactions(continued)

(c) Guarantees provided by an intermediate holding company

	2019 RMB'000	2018 RMB'000
Transactions:		
Guarantees provided by the immediate holding company for the Group's bank loan	139,523	1,166,742
Balance:		
Outstanding balances of the guaranteed loans	1,421,579	2,494,642

37. Financial instruments by category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial asstes at amotised cost 2019 RMB'000	Loans and receivables 2018 RMB'000
Trade and bill receivables	197,559	281,650
Financial assets included in prepayments and other receivables	3,619,970	5,119,886
Contract assets	12,990	-
Long-term receivable	253,890	311,826
Pledged deposits	400	9,042
Cash and cash equivalents	7,512,739	4,587,167
	11,597,548	10,309,571

Financial liabilities

	Financial liabilities at amortised cost	
	2019 RMB'000	2018 RMB'000
Financial liabilities included in trade and other payables	6,513,513	10,434,076
Lease liabilities	272,743	-
Loans from financial institutions	834,523	2,996,924
Other borrowings	-	337,856
Guaranteed bonds	8,931,874	4,050,224
	16,552,653	17,819,080

38. Fair value and fair value hierarchy of financial instruments

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments and other receivables, financial liabilities included in trade and other payables and loans from financial institutions approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2018.

39. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The director review and agree policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's loss before tax (through the impact on floating rate borrowings).

	Increase /(decrease) in basis points	Increase /(decrease) in loss before tax RMB'000
31 December 2019	100	(8,345)
31 December 2018	100	(15,806)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those bank and other borrowings in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year until the end of the next reporting period.

39. Financial risk management objectives and policies (continued)

Foreign currency risk

The Group's business are principally conducted in RMB and US$. The functional currencies of the Group's subsidiaries in the PRC and the USA are RMB and US$, respectively, and these subsidiaries do not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the Group's other subsidiaries is the Hong Kong dollar. The Group also have monetary assets or liabilities denominated in GBP and AUD.

The Company is exposed to currency risk primarily through restricted bank deposits, cash and cash equivalents, trade receivables, prepayments and other receivables, trade and other payables, current taxation, loans from financial institutions, loans from an intermediate holding company and amounts due from subsidiaries that are denominated in GBP, US$, AUD and RMB.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate on the Group's loss before tax and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2019			
If the RMB weakens against the GBP	1	97	97
If the RMB strengthens against the GBP	(1)	(97)	(97)
If the RMB weakens against the US Dollar	1	45,877	45,877
If the RMB strengthens against the US Dollar	(1)	(45,877)	(45,877)
If the RMB weakens against the AUD	1	2,913	2,913
If the RMB strengthens against the AUD	(1)	(2,913)	(2,913)
If the RMB weakens against the HKD	1	(49,507)	(49,507)
If the RMB strengthens against the HKD	(1)	49,507	49,507
2018			
If the RMB weakens against the GBP	1	12,538	12,538
If the RMB strengthens against the GBP	(1)	(12,538)	(12,538)
If the RMB weakens against the US Dollar	1	(7,676)	(7,676)
If the RMB strengthens against the US Dollar	(1)	7,676	7,676
If the RMB weakens against the AUD	1	6,276	6,276
If the RMB strengthens against the AUD	(1)	(6,276)	(6,276)
If the RMB weakens against the HKD	1	(72,090)	(72,090)
If the RMB strengthens against the HKD	(1)	72,090	72,090

* Excluding retained earnings

39. Financial risk management objectives and policies (continued)

Credit risk

The Group has no concentrations on credit risk. The extent of the Group's credit exposure is represented by the aggregate balance of cash at bank, restricted bank deposits, trade receivables, prepayments and other receivables.

Maximum exposure and year-end staging as at 31 December 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and bill receivables*	-	-	-	223,113	223,113
Financial assets included in prepayments and other receivables					
- Normal**	3,889,619	-	-	-	3,889,619
- Doubtful**	-	-	937,099	-	937,099
Contract assets*				13,038	13,038
Pledged deposits					
- Not yet past due	400	-	-	-	400
Cash and cash equivalents					
- Not yet past due	7,512,739	-	-	-	7,512,739
	11,402,758	-	937,099	236,151	12,576,008

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	RMB'000
Trade and bill receivables*	-	-	-	283,549	283,549
Financial assets included in prepayments and other receivables					
- Normal**	5,432,127	-	-	-	5,432,127
Pledged deposits					
- Not yet past due	9,042	-	-	-	9,042
Cash and cash equivalents					
- Not yet past due	4,587,167	-	-	-	4,587,167
	10,028,336	-	-	283,549	10,311,885

39. Financial risk management objectives and policies (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 to the financial statements.

**The credit quality of the financial assets included in prepayments and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, prepayments and other receivables, and contract assets are disclosured in note 20, 21 and 22 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, other loans, and lease liabilities.

39. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019				
	Less than 1 year Or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	153,918	327,711	433,766	164,217	1,079,612
Trade payables and other payables	6,513,513	-	-	-	6,513,513
Lease liabiltiy	14,790	34,214	90,154	302,126	441,284
Guaranteed bonds	2,376,917	301,007	3,393,305	4,151,820	10,223,049
	9,059,138	662,932	3,917,225	4,618,163	18,257,458

	2018				
	Less than 1 year Or on demand RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	1,382,999	223,645	1,445,437	307,210	3,359,291
Other borrowings	11,234	391,946	2,428	-	405,608
Trade payables and other payables	10,434,076	-	-	-	10,434,076
Guaranteed bonds	298,549	298,549	895,648	4,141,140	5,633,886
	12,126,858	914,140	2,343,513	4,448,350	19,832,861

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio and a debt-to-asset ratio. The gearing ratio is defined as net debt divided by total equity plus net debt. Net debt comprise loans from financial institutions, including current and non-current portions, other borrowings and loans from an intermediate holding company, less cash and cash equivalents and pledged deposits. The debt-to-asset ratio is total liabilities net of advances from customers divided by total assets. The gearing ratio as at the end of the reporting period was as follows:

39. Financial risk management objectives and policies (continued)

Capital management (continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
Interest-bearing bank borrowings	834,523	2,996,924
Loans from financial institutions classified as held for sale	872,055	-
Other borrowings	-	337,856
Guaranteed bonds	8,931,874	4,050,224
Less: Cash and cash equivalents	7,512,739	4,587,167
Pledged deposits	400	9,042
Cash and cash equivalents classified as held for sale	25,521	-
Pledged deposits classified as held for sale	3,076	-
Net debt	3,096,716	2,788,795
Total equity	2,082,448	1,699,033
Total equity plus net debt	5,179,164	4,487,828
Gearing ratio	59.79%	62.14%

The debt-to-asset ratio as at the end of the reporting period was as follows:

	2019 RMB'000	2018 RMB'000
Total liabilities	18,489,124	19,348,074
Less: Advance from customers	47,787	78,753
Contract liabilities	55,657	581,627
	18,385,680	18,687,694
Total assets	20,571,572	21,047,107
Debt-to-asset ratio	89.37%	88.79%

40. Events after the reporting period

On 23 Jan 2020, a wholly-owned subsidiary of the Group, Wanda Properties Overseas Ltd., issued guaranteed bonds with a due date in July 2023 ("GB2023 Bonds") in an aggregate principal amount of USD300 million. The GB2023 Bonds bear interest at a rate of 6.875% per annum, payable in arrears on 1 July 2019 and 1 Jan 2020.

The outbreak of the novel coronavirus(COVID-19) has certain impact on the business operations of the Group, in particular the business of leasing commercial properties as well as hotel management operation, and the extent of the impact depends on the situation and the duration of the epidemic and the impact on the macroeconomic.

Given the dynamic nature of these circumstances, the impact on the financial position and operating results of the Group could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

41. Comparative amounts

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

42. Statement of financial position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS		
Investment in subsidiaries	-	-
Loans to subsidiaries	52,890	1,119,630
Long-term receivable	253,890	311,826
Right of use asstes	7,854	-
Deferred tax assets	-	7,271
Total non-current assets	314,634	1,438,727
CURRENT ASSETS		
Trade receivables, prepayments and other receivables	357,055	576,745
Due from subsidiaries	883,558	5,493,416
Loans to subsidiaries	7,574,330	4,809,434
Cash and cash equivalents	4,650,278	1,581,597
Total current assets	13,465,221	12,461,192
CURRENT LIABILITIES		
Trade payables, other payables and accruals	9,622,754	10,225,921
Lease liabilities	3,172	-
Interest-bearing bank borrowings	-	1,166,742
Total current liabilities	9,625,926	11,392,663
NET CURRENT ASSETS	3,839,295	1,068,529
TOTAL ASSETS LESS CURRENT LIABILITIES	4,153,929	2,507,256
NON-CURRENT LIABILITIES		
Lease liabilities	5,137	-
Interest-bearing bank borrowings	139,523	-
Total non-current liabilities	144,660	-
NET ASSETS	4,009,269	2,507,256
EQUITY		
Issued capital	-	-
Reserves (note)	4,009,269	2,507,256
Total equity	4,009,269	2,507,256

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Qi Jie
Sole Director

TJ-HK

42. Statement of financial position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2018	3,016,106	(790,305)	310,893	2,536,694
Loss for the year	-	(166,365)	-	(166,365)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	-	-	136,927	136,927
Total comprehensive income for the year	-	(166,365)	136,927	(29,438)
At 31 December 2018	3,016,106	(956,670)	447,820	2,507,256
Loss for the year	-	(743,845)	-	(743,845)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	-	-	48,355	48,355
Total comprehensive income for the year	-	(743,845)	48,355	(695,490)
Capital contributions from shareholder	2,197,503	-	-	2,197,503
At 31 December 2019	5,213,609	(1,700,515)	496,175	4,009,269

43. Approval of the financial statements

The financial statements were approved and authorised for issue by the sole director on 31 March 2020.

Our principal offices

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