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萬達酒店發展有限公司
WANDA HOTEL DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 169)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS
FRAMEWORK AGREEMENTS RELATING TO THE ACQUISITION OF THE
TARGET COMPANIES

THE FRAMEWORK AGREEMENTS

Reference is made to the circular of the Company dated 15 November 2017 in relation to the Sale and Purchase Agreement entered into between the Company and Wanda HK, pursuant to which the Company has conditionally agreed to acquire, and Wanda HK has conditionally agreed to sell, the entire issued share capital of the Target. Upon completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company. As such, any existing transactions between the Target Companies and DWCM Group or its associates which continue after the completion of the Acquisition will constitute continuing connected transactions of the Group upon completion of the Acquisition.

With a view to regulate these existing transactions between the Target Companies and DWCM Group upon completion of the Acquisition, on 13 November 2018, the Company entered into the following framework agreements with DWCM Group:—

- (i) the Hotel Management Framework Agreement, pursuant to which DWCM Group Companies may from time to time engage the Target Companies to provide Hotel Management Services (as defined below) for the property projects of the Wanda Group; and
- (ii) the Property Leasing Framework Agreement, pursuant to which DWCM Group Companies may from time to time lease property (including office, storage and parking space) in the PRC to the Target Companies which at the same time may include Management Services (as defined below) to be provided by DWCM Group Companies for the leased property.

LISTING RULES IMPLICATIONS

Since DWCM Group is a controlling shareholder of the Company as at the date of this announcement, DWCM Group is a connected person of the Company and the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the annual caps of both (i) the Hotel Management Framework Agreement and (ii) the Property Leasing Framework Agreement exceed 5%, the transactions contemplated under the Framework Agreements are subject to the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

GENERAL

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve, among others, the Framework Agreements and the transactions contemplated thereunder. DWCM Group and its associates shall abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Framework Agreements. Wanda Overseas, being an associate of DWCM Group, is interested in 3,055,043,100 Shares representing approximately 65.04% of the issued share capital of the Company as at the date of this announcement, and will abstain from voting on such resolution(s).

A circular containing, among other things, (i) details of the Framework Agreements; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the Independent Financial Adviser; and (iv) a notice convening the SGM and a proxy form, will be despatched to the Shareholders within 15 business days after the publication of this announcement.

Shareholders and potential investors should note that whilst the Sale and Purchase Agreement and the Acquisition contemplated thereunder has been approved by independent Shareholders in a special general meeting held on 8 December 2017, the Acquisition is subject to fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, and may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

INTRODUCTION

Reference is made to the circular of the Company dated 15 November 2017 in relation to the Sale and Purchase Agreement entered into between the Company and Wanda HK, pursuant to which the Company has conditionally agreed to acquire, and Wanda HK has conditionally agreed to sell, the entire issued share capital of the Target. Upon completion of the Acquisition, the Target Companies will become wholly-owned subsidiaries of the Company. As such, any existing transactions between the Target Companies and DWCM Group or its associates which will continue after the completion of the Acquisition will constitute continuing connected transaction of the Group upon completion of the Acquisition.

With a view to regulate these existing transactions between the Target Companies and DWCM Group upon completion of the Acquisition, on 13 November 2018, the Company entered into the following framework agreements with DWCM Group:—

- (i) the Hotel Management Framework Agreement, pursuant to which DWCM Group Companies may from time to time engage the Target Companies to provide Hotel Management Services (as defined below) for the property projects of the DWCM Group; and
- (ii) the Property Leasing Framework Agreement, pursuant to which DWCM Group Companies may from time to time lease property (including office, storage and parking space) in the PRC to the Target Companies which at the same time may include Management Services (as defined below) to be provided by DWCM Group Companies for the leased property.

HOTEL MANAGEMENT FRAMEWORK AGREEMENT

A summary of the principal terms of the Hotel Management Framework Agreement is set out as follows:

- Date** : 13 November 2018
- Parties** : (i) the Company
(ii) DWCM Group, a controlling shareholder of the Company
- Term** : From 1 January 2019 or upon satisfaction of all applicable requirements relating to connected transactions under the Listing Rules (whichever is later) to 31 December 2038
- Services** : Pursuant to the Hotel Management Framework Agreement, the DWCM Group may from time to time engage the Group (including the Target Companies) to provide hotel management services (the “**Hotel Management Services**”) which may include, but are not limited to, the below services:
- (i) pre-opening support and technical advisory services regarding specification standards required for hotels being managed and other coordination services to facilitate the pre-opening preparation;
 - (ii) procurement of services and products for operation of hotels;
 - (iii) carrying out marketing and business development activities and providing accounting, finance, human resources and information technology functions;
 - (iv) setting the prices of guest rooms and other services; and

- (v) other relevant functions and services for the operation of hotels.

Members of the Group and the DWCM Group Companies shall enter into separate agreements (“**Individual Hotel Management Agreement(s)**”) in relation to the provision of Hotel Management Services for relevant projects, which shall be subject to the terms and conditions under the Hotel Management Framework Agreement and the applicable annual caps. The duration of each Individual Hotel Management Agreement shall not exceed the term of the Hotel Management Framework Agreement and the terms of the Individual Hotel Management Agreements shall be made on normal commercial terms.

Service fees and pricing policy

: The service fees payable by the DWCM Group Companies to the Group for the Hotel Management Services for each hotel shall be fair and reasonable and shall be charged on the following basis:

- (i) management fees comprising a base management fee at a rate of 2.5% of the gross operating revenue of the relevant hotel and an incentive management fee at a rate between 6% and 8% (inclusive) of the gross operating profit of the relevant hotel;
- (ii) group service fees for the relevant financial, human resources and/or information technology services provided by the Group charged at a rate of 2% of the gross operating revenue of the relevant hotel;
- (iii) pre-opening fees, comprising a hotel pre-opening support fee of RMB500,000 (or other currency equivalent) for each hotel and a technical services fee of RMB2 million (or other currency equivalent) for each hotel; and
- (iv) 6% of the room income for each room booking made via the official reservation systems of hotels under Wanda Hotel Brands; 5.6% of the of aggregate revenue contributed by each customer introduced by the regional sale department of hotels of Wanda Hotel Brands; and 5% of certain spending of any member of Wanda Club, a club for customers of the hotels of Wanda Hotel Brands.

In order to ensure that the terms of the Individual Hotel Management Agreements are and will be made on normal commercial terms, the actual service fees rates and contractual terms for each Individual Hotel Management Agreement shall not, from the Group's perspective, be less favourable than the rates charged and terms for equivalent or similar services provided by the Group to independent third parties in nearby hotels of equivalent or similar grading.

Annual caps : The annual caps of the maximum aggregate amounts payable by DWCM Group Companies for each of the three years ending 31 December 2021 for the provision of Hotel Management Services by the Group are set out below:

	Year ending 31 December		
	2019	2020	2021
Annual caps (RMB, rounded to the nearest thousand)	81,118	80,804	81,988

The annual caps in respect of the transactions under the Hotel Management Framework Agreement are arrived at after taking into consideration of, *inter alia*, (i) anticipated demand for Hotel Management Services by the Group based on the current development plan of the existing property projects of the Group and on the assumption that the Group will continue to hold the existing property projects; (ii) the prevailing market prices for the relevant hotel management services; (iii) the expected occupancy of the hotels of the Group's existing property projects, and taking into account possible inflation and possible reasonable buffer to allow for increase in the room rate and the occupancy rate of the hotels.

PROPERTY LEASING FRAMEWORK AGREEMENT

A summary of the principal terms of the Property Leasing Framework Agreement is set out as follows:

Date : 13 November 2018

Parties : (i) the Company (as lessee)
(ii) DWCM Group, a controlling shareholder of the Company (as lessor)

Term : From 1 January 2019 or upon satisfaction of all applicable requirements relating to connected transactions under the Listing Rules (whichever is later) to 31 December 2021

Leasing Target : Pursuant to the Property Leasing Framework Agreement, DWCM Group Companies may from time to time (i) lease property (including office, storage and parking space) in the PRC to Target Companies for its daily operation needs and (ii) provide property management services for the leased properties (the “**Management Services**”).

Management Services to be provided by the DWCM Group Companies will be specific to the leased property, and may include but are not limited to the management and maintenance of shared and public facilities (such as rooftops, corridors, flowerbeds, trees, outdoor pipes, drains, ponds, car parks, etc.) and traffic and parking management at the leased property.

Members of the Group and DWCM Group Companies shall enter into separate agreements (“**Individual Lease Agreement(s)**”) in relation to the lease of property by DWCM Group Companies to the Target Companies (depending on the particular property being leased, this may include Management Services), which shall be subject to the terms and conditions under the Property Leasing Framework Agreement and the annual caps thereunder. The duration of each Individual Lease Agreement shall not exceed the term of the Property Leasing Framework Agreement and the terms of the Individual Lease Agreements shall be made on normal commercial terms.

Rent : The rent set out in each Individual Lease Agreement will take into account the Management Services to be provided at the specific property being leased. The Company shall determine the rent payable for each lease after arm’s length negotiations based on normal commercial principles with reference to the market price and other commercial considerations, such as floor area, location, the type of property and level of Management Services being provided. In particular, the rent shall not exceed the amount of rent payable by or to be charged by an independent third party in respect of similar leased properties.

In order to ensure that the terms of the Individual Leasing Agreements are and will be made on normal commercial terms, the actual rent for each Individual Leasing Agreement shall not, from the Group’s perspective, be less favourable than the rent charged and terms for equivalent or similar leased properties provided by independent third parties to the Group.

If there are no comparable leased properties in the vicinity or if for any reason both parties cannot compare the price of the property to be leased with the market, parties must treat each other as an independent third party with the terms of the rent to be determined on a fair and reasonable basis.

Annual caps : The annual caps of the maximum aggregate amounts payable by the Group to DWCM Group Companies for each of the three years ending 31 December 2021 under the Property Leasing Framework Agreement are set out below:

	Year ending 31 December		
	2019	2020	2021
Annual caps (RMB, rounded to the nearest thousand)	15,438	16,114	16,824

The annual caps in respect of the transactions contemplated under the Property Leasing Framework Agreement are arrived at after taking into consideration of, *inter alia*, (i) the existing property leasing agreements entered into between the Target Companies and DWCM Group Companies, (ii) the Company's anticipated demand for new leasing arrangements (including Management Services) during the term of the Property Leasing Framework Agreement to meet its daily operations needs, and (iii) the expected rent pricing conditions in the PRC property leasing market for office, storage and parking space.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS

The Target Companies as a whole is a leading hotel services provider in China, with comprehensive capabilities in hotel management and operation. They currently manage over 60 luxury hotels in operation in China, out of which six of such luxury hotels in China are owned by DWCM Group Companies. DWCM Group is principally engaged in the business of investment holding and is a controlling shareholder of the Company. Upon the completion of the Acquisition, the hotel management and operation business will become one of the principal activities of the Group, alongside other existing activities of the Group, namely property development, property leasing, property management and investment holding activities.

Having considered the operation of the Target Companies and the existing business relations between the Target Companies and DWCM Group Companies, the Company is of the view that the Framework Agreements could provide an effective framework to regulate the provision and receipt of service between the Target Companies and DWCM Group Companies upon the completion of the Acquisition and ensure a smooth transition for the operation of the Target Companies. The Company also believes that by maintaining the existing relationship between the Target Companies and DWCM Group Companies, the Target Companies could maintain a good foundation for future growth of the Wanda Hotel Brands and further its development into a global leading comprehensive hotel design and management services provider.

The Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) consider that the terms of the Framework Agreements and the continuing connected transactions contemplated thereunder (including the annual caps) (i) are entered into in the ordinary and usual course of business of the Company; (ii) were negotiated on an arm's length basis and are on normal commercial terms; and (iii) are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

LISTING RULES IMPLICATIONS

Since DWCM Group is a controlling shareholder of the Company as at the date of this announcement, DWCM Group is a connected person of the Company and the Framework Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the annual caps of both (i) the Hotel Management Framework Agreement and (ii) the Property Leasing Framework Agreement exceed 5%, the transactions contemplated under the Framework Agreements are subject to the reporting, announcement, circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee

An Independent Board Committee comprising Mr. He Zhiping, Mr. Liu Jipeng and Dr. Xue Yunkui, all being independent non-executive Directors, has been formed and will advise the independent Shareholders as to (i) whether the terms of the Framework Agreements are fair and reasonable, (ii) whether the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, (iii) whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and (iv) how to vote on the Framework Agreements at the SGM, taking into account of the recommendation of the Independent Financial Adviser.

The Independent Financial Adviser

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this regard under the Listing Rules. The Independent Financial Adviser will also advise whether it is a normal business practice for the contract term of agreements of similar type to the Hotel Management Framework Agreement to carry a duration of longer than 3 years and to provide its explanation in its letter to the Independent Board Committee as to why the Hotel Management Framework Agreement requires a longer period for purposes of Rule 14A.52 of the Listing Rules.

The SGM

The SGM will be held to consider and, if thought fit, pass the resolution(s) to approve, among others, the Framework Agreements and the transactions contemplated thereunder. DWCM Group and its associates shall abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Framework Agreements. Wanda Overseas, being an associate of DWCM Group, is interested in 3,055,043,100 Shares representing approximately 65.04% of the issued share capital of the Company as at the date of this announcement, and will abstain from voting on such resolution(s).

Despatch of circular

A circular containing, among other things, (i) details of the Framework Agreements; (ii) the advice and recommendation of the Independent Board Committee; (iii) the advice and recommendation of the Independent Financial Adviser; and (iv) a notice convening the SGM and a proxy form, will be despatched to the Shareholders within 15 business days after the publication of this announcement.

INTERNAL CONTROL MEASURES ON CONTINUING CONNECTED TRANSACTIONS

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted certain measures in monitoring the transactions under the Framework Agreements including the following, for so long as the transactions constitute continuing connected transactions of the Company:

- (i) the legal department is responsible for the review of any Individual Hotel Management Agreement and Individual Lease Agreement to ensure that the terms thereunder are made in accordance with the terms and conditions (including the pricing policies) of the Hotel Management Framework Agreement and Property Leasing Framework Agreement, respectively;
- (ii) the Company has designated certain members of the management to closely monitor subsisting and potential connected transactions of the Group on a regular basis and will review the transactions under the Framework Agreements with DWCM Group to identify any continuing connected transaction that may be at risk of exceeding the annual caps so as ensure that relevant Listing Rules requirements have been re-complied before any annual cap is being exceeded;

- (iii) within three months of the Hotel Management Framework Agreement taking effect, a majority of the independent non-executive Directors will review all hotel management agreements for equivalent or similar services entered into between the Target Group and independent third parties to ensure that all services provided between DWCM Group Companies and the Group pursuant to hotel management agreements signed before the date of the Hotel Management Framework Agreement are provided on rates charged and/or terms not less favourable from the Group’s perspective than the rates charged and/or terms for equivalent or similar services provided to independent third parties in nearby hotels of equivalent or similar grading. Such review will also be performed annually by the majority of the independent non-executive Directors. If the Group is of the view that rates charged and/or terms for the services provided to the DWCM Group Companies are less favourable from the Group’s perspective than the rates charged and terms for equivalent or similar services provided by the Group to independent third parties, the Group and DWCM Group Companies agree to use their best endeavour to adjust the rates and/or terms to ensure that the terms of the transactions are fair and reasonable.

Shareholders and potential investors should note whilst the Sales and Purchase Agreement and the Acquisition contemplated thereunder has been approved by independent Shareholders in a special general meeting held on 8 December 2017, the Acquisition is subject to fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, and may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution in dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless otherwise defined or the context requires otherwise, the following expressions have the meanings set out below:

“Acquisition”	the proposed acquisition of the entire issued share capital of the Target by the Company from Wanda HK and other transactions contemplated under the Sale and Purchase Agreement pursuant to the terms and conditions therein, further details of which are set out in the announcement of the Company dated 26 September 2017 and the circular of the Company dated 15 November 2017
“Board”	the board of Directors
“Company”	Wanda Hotel Development Company Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Dalian Wanda Group”	大連萬達集團有限公司 (Dalian Wanda Group Co., Ltd*), a joint stock company incorporated in the PRC with limited liability, and a controlling shareholder of the Company;
“Director(s)”	the director(s) of the Company
“DWCM Group”	大連萬達商業管理集團股份有限公司 (Dalian Wanda Commercial Management Group Co., Ltd*), a company established in the PRC with limited liability and controlled by Dalian Wanda Group, a controlling shareholder of the Company
“DWCM Group Companies”	DWCM Group and/or its subsidiaries (except for the Group)
“Framework Agreements”	the Hotel Management Framework Agreement and the Property Leasing Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Management Framework Agreement”	the hotel management framework agreement entered into between the Company and DWCM Group on 13 November 2018
“Independent Board Committee”	the independent Board committee of the Company comprising Mr. He Zhiping, Mr. Liu Jipeng and Dr. Xue Yunkui, all being independent non-executive Directors, which is formed to advise the independent Shareholders on the Framework Agreements
“Independent Financial Adviser”	Messis Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the independent Shareholders on the Framework Agreements
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and DWCM Group on 13 November 2018
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 26 September 2017 entered into between the Company and Wanda HK in relation to, among other things, the Acquisition;
“SGM”	the special general meeting of the Shareholders to be held to consider and, if thought fit, pass the resolution(s) to approve, among others, the Framework Agreements and the transactions contemplated thereunder
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Wanda Hotel Management (Hong Kong) Co. Limited (萬達酒店管理(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Target Companies”	the Target and its subsidiaries
“Wanda HK”	Wanda Commercial Properties (Hong Kong) Co. Limited, a company incorporated in Hong Kong with limited liability, a controlling shareholder of the Company
“Wanda Hotel Brands”	the hotel brands of Wanda Reign, Wanda Vista and Wanda Realm and Wanda Jin owned by Dalian Wanda Group
“Wanda Overseas”	Wanda Commercial Properties Overseas Limited, a company incorporated in the British Virgin Islands with limited liability, a controlling shareholder of the Company
“%”	per cent.

* *English translation is directly translated from Chinese and is for illustrative purpose only.*

By order of the Board
Wanda Hotel Development Company Limited
Ding Benxi
Chairman

Hong Kong, 13 November 2018

As at the date of this announcement, Mr. Ding Benxi (Chairman), Mr. Zhang Lin and Mr. Hui Yung, Chris are the non-executive Directors; Mr. Ning Qifeng is the executive Director; and Mr. He Zhiping, Mr. Liu Jipeng and Dr. Xue Yunkui are the independent non-executive Directors.