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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 —
RENEWAL OF KIDSLAND TENANCY AGREEMENT

Reference is made to the announcement of the Company dated 27 September 2016 in relation to, among others, the Kidsland Tenancy Agreement, pursuant to which Guilin Project Company (a non-wholly owned subsidiary of the Company), as landlord, agreed to lease the Premises to Wanda Kidsland for a term from 12 September 2015 to 11 September 2020. Reference is also made to the announcement of the Company dated 2 August 2019 in relation to, among others, the amendment of certain terms of the Kidsland Tenancy Agreement.

On 7 September 2020 (after trading hours), Guilin Project Company entered into the New Kidsland Tenancy Agreement with Guilin Wanda Kids (a wholly-owned subsidiary of Wanda Kidsland) to renew the existing lease in respect of the Premises for a further term of 15 years commencing from 12 September 2020 to 11 September 2035 (both days inclusive).

LISTING RULES IMPLICATIONS

As at the date of this announcement, DWCM is an indirect holding company of the Company. DWCM is in turn controlled by Dalian Wanda Group which is in turn controlled by Mr. Wang Jianlin. DWCM, Dalian Wanda Group and Mr. Wang Jianlin as controlling shareholders of the Company are connected persons of the Company under the Listing Rules. Since Guilin Wanda Kids is indirectly wholly-owned by Mr. Wang Jianlin, Guilin Wanda Kids is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New Kidsland Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As more than one of the applicable percentage ratios in respect of the highest annual cap of the New Kidsland Tenancy Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the New Kidsland Tenancy Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 27 September 2016 in relation to, among others, the Kidsland Tenancy Agreement, pursuant to which Guilin Project Company (a non-wholly owned subsidiary of the Company), as landlord, agreed to lease the Premises to Wanda Kidsland for a term from 12 September 2015 to 11 September 2020, and the announcement of the Company dated 2 August 2019 in relation to, among others, the amendment of certain terms of the Kidsland Tenancy Agreement.

On 7 September 2020 (after trading hours), Guilin Project Company entered into the New Kidsland Tenancy Agreement with Guilin Wanda Kids (a wholly-owned subsidiary of Wanda Kidsland) to renew the existing lease term in respect of the Premises for a further term of 15 years commencing from 12 September 2020 to 11 September 2035 (both days inclusive).

THE NEW KIDSLAND TENANCY AGREEMENT

(a) Principal terms

Principal terms of the New Kidsland Tenancy Agreement are summarised as follows:

Date	: 7 September 2020
Parties	: (i) Guilin Project Company as landlord (ii) Guilin Wanda Kids as tenant
Premises	: Certain portions of the second floor of the Guilin Gaoxin Plaza (the “ Premises ”) in Guilin City, the PRC
Gross floor area	: Approximately 1,776.92 square metres
Term	: 15 years commencing from 12 September 2020 to 11 September 2035
Use	: Operation of children entertainment and playground business and other related business, including sale of kids clothing and food and beverage, under the brand of “Wanda Kids Place* (萬達寶貝王)” (the “ WD Kids Place ”)
Rent	: Monthly rent at RMB67.53 per square metres (gross floor area) and such rate shall be subject to a progressive annual increment at 3% of the rental rate of the preceding rental year

The terms of New Kidsland Tenancy Agreement were agreed by the parties after arm's length negotiations and are on normal commercial terms. The monthly rent was determined based on gross floor area of the Premises and a specific cost per square metre taking into consideration the rent payable by other tenants of the Guilin Gaoxin Plaza, the location of the Guilin Gaoxin Plaza and the prevailing market rent of other premises within proximity with conditions comparable to those of the Guilin Gaoxin.

(b) Annual caps

The total transaction amount received by Guilin Project Company under the Kidsland Tenancy Agreement for the five years ended 31 December 2019 and the six months ended 30 June 2020 were approximately RMB420,000, RMB1,350,000, RMB1,351,000, RMB1,447,000, RMB1,341,000 and RMB560,100, respectively.

Based on the monthly rent payable under the New Kidsland Tenancy Agreement and taking into account a buffer of 5% to cover any potential upward adjustment and/or the late payment, it is estimated that the total amounts payable by Guilin Wanda Kids to the Guilin Project Company for each of the 15 years ending 31 December 2035 pursuant to the New Kidsland Tenancy Agreement will not exceed the annual caps set out below:

Period/Year ending	12/9/2020-					
31 December	31/12/2020	2021	2022	2023	2024	2025
Annual caps (RMB'000)	458	1,526	1,572	1,619	1,668	1,718
Year ending						
31 December	2026	2027	2028	2029	2030	2031
Annual caps (RMB'000)	1,769	1,822	1,877	1,933	1,991	2,051
Year ending						
31 December	2032	2033	2034	2035		
Annual caps (RMB'000)	2,112	2,176	2,241	1,595		

OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Since the term of the New Kidsland Tenancy Agreement is longer than three years, pursuant to Rule 14A.52 of the Listing Rules, the Company must appoint an independent financial adviser to explain why the New Kidsland Tenancy Agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. For this purpose, the Company has engaged Opus Capital as the independent financial adviser.

In assessing the reasons for the duration of the New Kidsland Tenancy Agreement to be longer than three years, Opus Capital has taken into account the following factors when formulating its opinion pursuant to Rule 14A.52 of the Listing Rules:

- (i) given the strong brand of “WD Kids Place”, the New Kidsland Tenancy Agreement will enhance the Guilin Gaoxin Plaza’s attractiveness to be a crowd-puller to families, which will in turn support the development of the Guilin Gaoxin Plaza;
- (ii) the tenure of the New Kidsland Tenancy Agreement is aligned with the long-term development strategy of both the Group and Dalian Wanda Group in promoting synergies between the “WD Kids Place” brand and all the shopping malls owned and/or operated by Dalian Wanda Group across the PRC;
- (iii) the tenure of the New Kidsland Tenancy Agreement is in line with the Group’s own leasing practice with other key tenants at the Guilin Gaoxin Plaza; and
- (iv) the tenure of the New Kidsland Tenancy Agreement is broadly in line with the leasing practice of the tenancy agreements signed between Wanda Kidsland, which is the holding company of Guilin Wanda Kids, or its subsidiaries as tenants and the subsidiaries of Dalian Wanda Group as landlords, albeit generally shorter.

Having considered the factors set out above, Opus Capital is of the view that the tenure of the New Kidsland Tenancy Agreement, which is longer than three years, is required and it is normal business practice agreements of this type to be of such duration.

INFORMATION ABOUT THE PARTIES

The Company is a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange. As at the date of this announcement, DWCM is an indirect holding company of the Company interested in approximately 65.04% of the total issued shares of the Company. DWCM is in turn controlled by Dalian Wanda Group which is in turn controlled by Mr. Wang Jianlin.

Guilin Wanda Kids, a company established under the laws of the PRC with limited liability, is principally engaged in children’s entertainment and experience business in the PRC. It is a wholly-owned subsidiary of Wanda Kidsland which is in turn indirectly wholly-owned by Mr. Wang Jianlin who is a controlling shareholder of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW KIDSLAND TENANCY AGREEMENT

The principal activities of the Group are property development, property investment and management, hotel operation and management, hotel design and construction management services. The Guilin Gaoxin Plaza is a shopping mall developed by the Group through the Guilin Project Company and was opened in September 2015. The Board is of the view that the presence of facilities and shops for children is one of the crucial factors to the success of a shopping mall in the PRC.

Given the existing leasing arrangement under the Kidsland Tenancy Agreement and the friendly cooperation relationship between the parties, the entering into of the New Kidsland Tenancy Agreement can allow the parties to continue with the existing leasing arrangement and minimise the cost of the Group in identifying new tenants and related costs for conducting due diligence and/or contract negotiation. The entering into of the New Kidsland Tenancy Agreement is also consistent with the Group's business and operational needs and strategies.

The Directors (including the independent non-executive Directors) are of the view that the New Kidsland Tenancy Agreement is in the interests of the Company and its shareholders as a whole and the terms of the New Kidsland Tenancy Agreement are fair and reasonable, on normal commercial terms and in the ordinary course of business of the Group.

None of the Directors have any material interest in the transactions under the New Kidsland Tenancy Agreement and none of them were required to abstain from voting on the resolutions in relation to the transactions pursuant to the bye-laws of the Company.

LISTING RULES IMPLICATIONS

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As more than one of the applicable percentage ratios in respect of the highest annual cap of the New Kidsland Tenancy Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the New Kidsland Tenancy Agreement are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In addition to our compliance with the requirements on annual review by external auditors and independent non-executive Directors under the Listing Rules in respect of the Group's continuing connected transactions, to ensure the transactions contemplated under the New Kidsland Tenancy Agreement do not exceed the annual cap(s), the business department of the Group shall fill in and submit statistical charts for the continuing connected transactions at least quarterly. In the event that the amount of the transactions incurred and/or to be incurred under the New Kidsland Tenancy Agreement is expected to reach the relevant annual cap(s), the business department will follow up forthwith by reporting and proposing a response to the management of the Company, and in case that an amendment to the annual cap(s) is required, report particulars to the Board and hold a Board meeting for considering the matters thereabout to ensure compliance with the requirements under the Listing Rules.

The Company also arranges compliance trainings for the Directors, senior management and staff from the relevant departments of the Company and its subsidiaries from time to time, primarily focusing on the rules relating to continuing connected transactions under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“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 given in the Listing Rules
“controlling shareholder”	has the meaning given in the Listing Rules
“Dalian Wanda Group”	Dalian Wanda Group Co., Ltd. (大連萬達集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, and a controlling shareholder of the Company
“Directors”	the directors of the Company
“DWCM”	Dalian Wanda Commercial Management Co., Ltd.* (大連萬達商業管理集團股份有限公司), a company established in the PRC with limited liability and controlled by Dalian Wanda Group, a controlling shareholder of the Company
“Group”	the Company and its subsidiaries
“Guilin Gaoxin Plaza”	the Guilin Gaoxin Wanda Plaza* (桂林高新萬達廣場) located in Guilin City, the PRC
“Guilin Project Company”	Guilin Gaoxin Wanda Shopping Plaza Co., Ltd.* (桂林高新萬達廣場有限公司), a company established under the laws of the PRC with limited liability, which is an indirect non-wholly owned subsidiary of the Company

“Guilin Wanda Kids”	Guilin Gaoxin Wanda Kids Entertainment Co., Ltd*(桂林高新萬達兒童娛樂有限公司), a wholly-owned subsidiary of Wanda Kidsland, is a company established under the laws of the PRC with limited liability which is indirectly wholly-owned by Mr. Wang Jianlin who is a controlling shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Opus Capital”	Opus Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Company in respect of the duration of the New Kidsland Tenancy Agreement
“Kidsland Supplemental Agreement”	the supplemental deed entered into between Guilin Project Company (as landlord) and Wanda Kidsland (as tenant) on 2 August 2019 regarding the Kidsland Tenancy Agreement. For further details, please refer to the announcement of the Company dated 2 August 2019
“Kidsland Tenancy Agreement”	the tenancy agreement entered into between the Guilin Project Company (as landlord) and Wanda Kidsland (as tenant) on 8 June 2015 which is amended and supplemented by the Kidsland Supplemental Agreement. For details of the Kidsland Tenancy Agreement and the Kidsland Supplemental Agreement, please refer to the announcements of the Company dated 27 September 2016 and 2 August 2019, respectively
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Kidsland Tenancy Agreement”	the tenancy agreement entered into between the Guilin Project Company (as landlord) and Guilin Wanda Kids (as tenant) on 7 September 2020 in respect of the lease of the Premises
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, Macau and Taiwan
“Premises”	certain portions of the second floor of the Guilin Gaoxin Plaza
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Wanda Kidsland”

Wanda Baby King Group Company Limited* (萬達寶貝王集團有限公司) (formerly known as, Wanda Kidsland Co. Limited* (萬達兒童娛樂有限公司)), a company established under the laws of the PRC with limited liability, which is indirectly wholly-owned by Mr. Wang Jianlin who is a controlling shareholder of the Company

** For illustrative purpose only.*

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

Hong Kong, 7 September 2020

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