萬達酒店發展有限公司
WANDA HOTEL DEVELOPMENT COMPANY LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code : 169)

FURTHER CLARIFICATION ANNOUNCEMENT IN RELATION TO THE DISPOSAL OF 53% INTEREST IN A SUBSIDIARY

Reference is made to the announcement of the Company dated 13 December 2019 (the "**First Announcement**") and the clarification announcement of the Company dated 27 December 2019 (the "**Second Announcement**", together with the First Announcement, the "**Announcements**") in relation to the disposal of 53% interest in a then subsidiary. Capitalised terms used herein shall have the same meanings as ascribed to those terms in the Announcements.

As noted in the Announcements, it was expected that the Company would record a gain of approximately HK$306 million (before taxation, if any) on the Disposal. The said figure of HK$306 million was included in the Announcements for illustrative purpose only. It was mentioned in the Announcements that, the said figure was arrived at based on the sum of the Consideration of HK$2 million and the reversal of cumulative exchange reserve upon the Disposal of approximately HK$308 million (which represents mainly the cumulative foreign exchange gain previously recorded in the exchange reserve of the Group resulting from the translation of the financial statements of the Target Group) minus the net asset value attributable to the shares of the Target being subject of the transaction (i.e. 53% of the net asset value of the Target) of HK$2 million as at Completion and the estimated transaction cost and expense of HK$2 million. Notwithstanding that the then expected financial impact of the Disposal was, as noted in the First Announcement, provided for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon the Disposal, the Company has repeatedly checked with its auditors (the "**Auditors**") on the underlying accounting entry and treatment and the calculation of the expected amount of gain in relation to the Disposal through various rounds of discussion, and as a result of which the Auditors have confirmed in writing to the Company that they agreed with the underlying accounting entry and treatment.

The Board wishes to update the Shareholders and the market that the Auditors have notified the Board that their earlier confirmation to the Company on the expected gain on Disposal is incorrect in that, in order to reflect the financial impact of the Disposal which was completed in 2019 and as a result of which the Target ceased to be a subsidiary, an approximate amount of HK$165 million in the cumulative exchange reserve of the Group that should have been re-classified in accordance with the Hong Kong Financial Reporting Standards as special reserve in prior years should not be included in the calculation of the gain on the Disposal for the year ended 31 December 2019; the Auditors had overlooked the need for such re-classification when they issued the said confirmation at the time of the Company issuing the Announcements. As a result of the said re-classification, the cumulative exchange reserve available for reversal as a result of the Disposal is approximately HK$118 million instead of HK$308 million. Accordingly, the actual gain on the Disposal to be reflected in the audited consolidated financial statements of the Company for the year ended 31 December 2019 (subject to final audit) is approximately HK$137 million instead of HK$306 million.

Notwithstanding that the actual gain on the Disposal, from a financial and accounting perspective, is less than expected, the Board's view that the Disposal is in the interest of the Company and its shareholders as a whole remains unchanged. The Board's view was based on the assessment of the then market conditions and the prospects of the Target Group going forward.

As regards the afore-mentioned re-classification, it is to more accurately reflect the classification of the reserve created as a consequence of the disposal of a 47% interest in the Target by the Company in 2013 (the "**2013 Disposal**") in that, an amount of HK$165 million should be classified as special reserve instead of exchange reserve. Noting that the total amount of reserve for each of the financial years since completion of the 2013 Disposal remains the same until completion of the Disposal, and that the accounting entry and treatment prior to such re-classification would have no impact on the audited consolidated statements of profit or loss account and audited consolidated statements of financial position for each of the relevant financial years, i.e. financial years 2013 to 2018, the Board and the Auditors are of the view that the impact of the inaccuracy in the classification of reserve for those years are immaterial and does not warrant any prior year adjustment to the published audited consolidated financial statements of the Company for the said financial years. By way of background, the 2013 Disposal took place as part of the transaction under which and when Dalian Wanda Commercial Management Group Co., Ltd (formerly known as Dalian Wanda Commercial Properties Co., Ltd.), the current controlling shareholder of the Company, acquired a 65% interest in the Company and became the controlling shareholder.

The Board is in discussion with its Auditors to evaluate the reason(s) for the Auditors' repeated oversight. In any event, even though the afore-mentioned accounting issue is immaterial in nature, the Board is evaluating its options with regards to the Auditors' oversight and how it can further strengthen the Group's accounting and internal control systems to address any inadequacies.

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

Hong Kong, 25 March 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 Dr. Chen Yan, Mr. He Zhiping and Dr. Teng Bing Sheng are the independent non-executive Directors.