THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Wanda Hotel Development Company Limited, you should at once hand this Circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the licensed security dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

萬 達 酒 店 發 展 有 限 公 司

WANDA HOTEL DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 169)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION DISPOSAL OF INTEREST IN THE CHICAGO PROPERTY PROJECT AND NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 8 to 20 of this Circular. A notice of the SGM to be held at Unit 3007, 30/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 16 October 2020 at 10:00 a.m. is set out on pages SGM-1 to SGM-2 of this Circular. Whether or not you are able to attend and vote at the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the recent development of the pandemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement precautionary measures at the SGM, including but not limited to, mandatory use of surgical face masks for all persons attending the SGM. Any person who does not comply with the precautionary measures or is subject to any mandatory quarantine order of the government of Hong Kong may be denied entry into the SGM venue.

The Company would like to remind Shareholders that, as an alternative to attending the SGM in person, Shareholders may exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy in accordance with the instructions set out in this Circular and the enclosed form of proxy.

Hong Kong, 29 September 2020

CONTENTS

In this Circular, including the Appendices (except for the accountants' letter in Appendix III and the valuation report in Appendix IV), unless otherwise defined or the context requires otherwise, the following expressions have the meanings set out below:

"%"	per cent
"Agreement"	the membership interest purchase agreement entered into on 24 July 2020 between the Seller and the Purchaser in relation to the Disposal
"AUD"	Australian dollars, the lawful currency of Australia
"Australia Projects"	the Gold Coast Project and the Sydney Project
"Board"	the board of Directors
"Chicago Property Project"	the construction of improvements on the Land consisting of a tower structure with 101 stories and approximately 2 million square feet which, when completed, will consist of ground level improvements connecting the Riverwalk Esplanade and Lakeshore East Park in Chicago, an upper street level to consist of open pedestrian plazas, scenic overlooks and landscaping to intersect with existing public space and entrances to the Vista Tower, a condominium regime which shall comprise approximately 393 condominium units and a hotel comprised of an approximately 192 key hotel facility
"Closing"	the closing of the transaction contemplated under the Agreement which shall take place on or before 22 October 2020, subject to extension by (i) the Purchaser in its sole discretion for a period up to but not extending beyond 14 December 2020; or (ii) the Seller, if the Related Approvals have not been obtained by the initial Closing Date, for a period up to but not exceeding 30 days; and when all the conditions precedent have been satisfied (or waived, as the case may be) by the Seller and the Purchaser
"Closing Consideration"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"Closing Date"	the date on which Closing shall occur in accordance with the terms of the Agreement

"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 (stock code: 169)
"connected person(s)"	has the meaning as ascribed to it in the Listing Rules
"Consideration"	the total purchase price payable by the Purchaser to the Seller in relation to the Disposal subject to the terms and conditions under the Agreement
"Contribution Agreement"	that certain Parcel C LLC Members Contribution Agreement dated 28 April 2017 and that certain agreement dated 16 October 2019 entered into by and among the Seller and the Purchaser
"controlling shareholder"	has the meaning as ascribed to it in the Listing Rules
"Deferred Amount"	the First Tranche Deferred Amount and the Second Tranche Deferred Amount
"Deferred Amount Adjustments"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"Deferred Amount Borrower"	the Purchaser and Parcel C Manager LLC, a Delaware limited liability company that is owned as to 50% and managed by the Purchaser
"Deferred Amount Interest Rates"	the First Tranche Deferred Amount Interest Rate and the Second Tranche Deferred Amount Interest Rate
"Directors"	directors of the Company
"Disposal"	the disposal of the 90% of Membership Interests by the Seller to the Purchaser pursuant to the Agreement
"EUR"	the Euro, the lawful currency of the European Union
"First Tranche Deferred Amount"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular

"First Tranche Deferred Amount Interest Rate"	an interest rate that shall compound annually, calculated: (1) from the Closing Date through and including the day immediately preceding the first anniversary of the Closing Date, at a rate of 8%; (2) from the first anniversary of the Closing Date through and including the day immediately preceding the second anniversary of the Closing Date, at a rate of 9%; (3) from the second anniversary of the Closing Date through and including the day immediately preceding the third anniversary of the Closing Date, at a rate of 10%; and (4) if Deferred Amount Borrower elects to extend the initial maturity date of the First Tranche Subordinated Note, from the third anniversary of the Closing Date through and including the extended maturity date, at a rate of 15%.
"First Tranche Subordinated Note"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"GBP"	Great Britain Pound, the lawful currency of the UK
"Gold Coast Project"	a property project in Gold Coast, Australia of which the Company disposed in 2018
"Group"	the Company and its subsidiaries
"Guilin Project"	a shopping mall in Guilin, the PRC, developed by a joint venture formed by the Company and Wanda HK
"Hengli City"	a residential, office and retail complex in Fuzhou, the PRC of which the Company disposed in December 2019
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Inter-Company Loan"	the loans due to the Seller from the Target Company amounting to US$244,770,000 (equivalent to approximately HK$1,896,967,500) as at 30 June 2020 (subject to adjustment as described in the section "Consideration" of the Letter from the Board of this Circular)

"Land"	fee simple interest in certain land and the appurtenances thereon, and the improvements on the said land known as Vista Tower, located at 363-401 East Wacker Drive, Chicago, Illinois, United States of America
"Latest Practicable Date"	25 September 2020, being the latest practicable date prior to the publication of this Circular for ascertaining certain information contained therein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"London Project"	a property project in London of which the Company disposed in 2018
"Madrid Project"	a property project in Madrid, Spain of which the Company disposed in 2017
"Membership Interests"	the issued and outstanding membership interests of the Target Company
"Mortgage"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"Operating Agreement"	that certain Limited Liability Company Agreement dated 10 July 2014, as amended by that certain First Addendum dated 6 December 2014, that certain Second Addendum dated 6 August 2015, that certain third addendum dated 31 March 2016 entered into by and among the Seller and the Purchaser and the Contribution Agreement
"PRC"	the People's Republic of China (for the purpose of this Circular only, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Purchaser"	Magellan Parcel C/D LLC, an Illinois limited liability company which owns 10% of the issued and outstanding membership interests and managing member of the Target Company
"Related Approvals"	any and all approvals which may be required for Closing from the Stock Exchange and the Shareholders
"Remaining Group"	the Group excluding the Target Company upon Closing

"Replacement Financing"	financing which the Purchaser shall obtain pursuant to the Agreement for the Chicago Property Project, from a qualified institutional lender or experienced and qualified investor, which may be debt (both senior and mezzanine) and/or one or more tiers of preferred equity (whether invested directly in the Target Company or any entity directly or indirectly owning an interest in the Target Company) from a preferred equity investor and/or a new member, directly or indirectly, of the Purchaser which will be, or will be affiliated with, one of the managers of the Purchaser (but expressly excluded any common equity contributed by such new member)
"Replacement Financing Lender"	the parties selected by the Purchaser to provide the Replacement Financing
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Membership Interest"	the Membership Interests owned by the Seller that is the subject of the Disposal, representing 90% of the Membership Interests
"Second Tranche Deferred Amount"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"Second Tranche Deferred Amount Interest Rate"	an interest rate that shall compound annually, calculated: (1) from the Closing Date through and including the day immediately preceding the first anniversary of the Closing Date, at a rate of 3%; (2) from the first anniversary of the Closing Date through and including the day immediately preceding the second anniversary of the Closing Date, at a rate of 5%; (3) from the second anniversary of the Closing Date through and including the day immediately preceding the third anniversary of the Closing Date, at a rate of 7%; and (4) if Deferred Amount Borrower elects to extend the initial maturity date of the Second Tranche Subordinated Note, from the third anniversary of the Closing Date through and including the extended maturity date, at a rate of 15%.

"Second Tranche Subordinated Note"	has the meaning ascribed to it under the section "Consideration" of the Letter from the Board of this Circular
"Selected Condominium Units"	being an agreed list of condominium units in the condominium regime of the Chicago Property Project (each a "**Condominium Unit**") under which the Deferred Amount Borrower may ask to, subject to the written consent of the Seller, substitute a Selected Condominium Unit with a comparable Condominium Unit from time to time in accordance with the terms of the Agreement. As at the date of the Agreement, the Selected Condominium Units comprise a total of 38 Condominium Units, amounting to a total of 109,237 square feet with a total minimum release price of US$139,511,392
"Seller"	Wanda Chicago Real Estate, LLC, a limited liability company incorporated under the laws of Delaware and a non-wholly owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Cap. 571)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Shareholder(s)"	holder(s) of the Shares
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subordinated Notes"	the First Tranche Subordinated Note and the Second Tranche Subordinated Note
"Sydney Project"	a property project in Sydney, Australia of which the Company disposed in 2018
"Target Company"	Parcel C LLC, a Delaware limited liability company
"Transfer for Default"	Transfer for Seller's Default, if the Purchaser is the non-defaulting party, or Transfer for Purchaser's Default, if the Seller is the non-defaulting party

"Transfer for Purchaser's Default"	has the meaning ascribed to it in the section headed "Remedies" of the Letter from the Board of this Circular
"Transfer for Seller's Default"	has the meaning ascribed to it in the section headed "Remedies" of the Letter from the Board of this Circular
"Wanda HK"	Wanda Commercial Properties (Hong Kong) Co., Limited (萬達商業地產(香港)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"Wanda Hotel Management HK"	Wanda Hotel Management (Hong Kong) Co., Ltd (together with its subsidiaries, the "**Wanda Hotel Management Group**") which was acquired by the Company in 2018
"Wanda Overseas"	Wanda Commercial Properties Overseas Limited, a company incorporated in the British Virgin Islands with limited liability, a controlling shareholder of the Company
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US$"	the USA dollars, the lawful currency of the USA
"USA"	the United States of America

For the purpose of this Circular and for illustration purpose only, the exchange rate between US$ and HK$ is 1 : 7.75 and no representation is made that any amount in US$ or HK$ could have been or could be converted at such rates or at any other rates.

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

Non-executive Directors:
Mr. Ding Benxi *(Chairman)*
Mr. Zhang Lin
Mr. Han Xu

Executive Director:
Mr. Ning Qifeng

Independent non-Executive Directors:
Dr. Chen Yan
Mr. He Zhiping
Dr. Teng Bing Sheng

Head office and principal place of business in Hong Kong:
Unit 3007, 30th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

Registered office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

29 September 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION
DISPOSAL OF INTEREST IN THE CHICAGO PROPERTY PROJECT
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 30 July 2020 and 17 August 2020 in relation to the disposal of interest in the Chicago Property Project.

On 24 July 2020, the Seller, a non-wholly owned subsidiary of the Company, and the Purchaser entered into the Agreement, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Membership Interests, representing 90% of the Membership Interests of the Target Company, subject to the terms and conditions contained therein, at the Consideration of US$270,000,000 (equivalent to approximately HK$2,092,500,000). Pursuant to the Agreement, the Inter-Company Loan, representing loans due to the Seller from the Target Company amount to US$244,770,000 (equivalent to approximately HK$1,896,967,500) as at 30 June 2020 (subject to adjustment prior to Closing) will be repaid to the Seller.

The purpose of this Circular is to provide you with, among other things, (i) further details of the Disposal; (ii) financial information of the Group and the Target Company; (iii) unaudited pro forma information of the Remaining Group; (iv) a valuation report of the property interests held by the Target Company; and (v) a notice convening the SGM.

THE AGREEMENT

Date

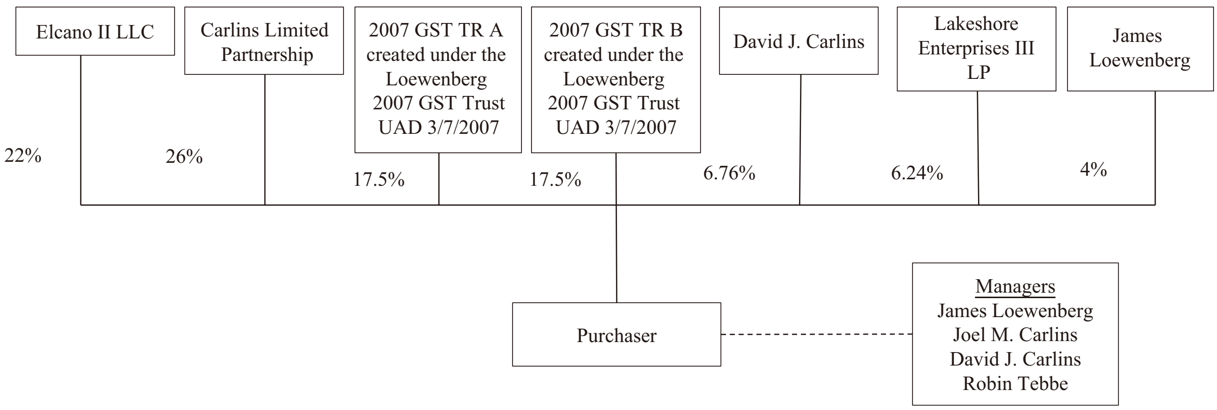
24 July 2020

Parties

(1) the Seller as vendor
(2) the Purchaser as purchaser

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) the principal business of the Purchaser is real estate and property development; (ii) the Purchaser is owned as to 22% by Elcano II LLC, an Illinois limited liability company, 26% by Carlins Limited Partnership, 17.5% by 2007 GST TR A created under the Loewenberg 2007 GST Trust UAD 3/7/2007, 17.5% by 2007 GST TR B created under the Loewenberg 2007 GST Trust UAD 3/7/2007, 6.76% by David J. Carlins, 6.24% by Lake Shore Enterprises III LP and 4% by James Loewenberg as members, and James Loewenberg, Joel M. Carlins, David J. Carlins and Robin Tebbe are managers of the Purchaser; (iii) the beneficial owners of the Purchaser are principally engaged in investment holding; and (iv) all of the ultimate beneficial owners of the Purchaser are Allen Carlins, Brian Gordon, David Carlins, Elizabeth Kotas, James Berger, Joel Carlins, Kara Pellaton, Kathy Schaack, Kimberly Sharon, Kristopher Schwengel, Laura Buel, Patrick Borzenski, Rebecca Carlins, Renee Wersching, Robert Owak, Sean Linnane, Susan Carlins and Todd Wendell.

The following diagram illustrates the shareholding structure of the Purchaser:



Assets to be disposed

Pursuant to the Agreement, the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Membership Interests, representing 90% of the entire issued and outstanding membership interests of the Target Company.

The Target Company is a company incorporated under the laws of Delaware with limited liability. As at the date of this Circular, the Target Company is owned as to 90% by the Seller, a company which is indirectly held as to 60% by the Company and 40% by Wanda HK, and is owned as to 10% by the Purchaser, which is a managing member of the Target Company. The Target Company owns the Land known as the Vista Tower located at 363-401 East Wacker Drive, Chicago, Illinois, USA. The Target Company owns and is in the process of completing the Chicago Property Project.

Consideration

The Consideration is US$270,000,000 (equivalent to approximately HK$2,092,500,000), which represents the amount of the Seller's capital contributions under the Operating Agreement as of 30 June 2020.

The Seller has provided Inter-Company Loans to the Target Company pursuant to the Contribution Agreement. Pursuant to the Agreement, the principal amount of the Inter-Company Loans shall be repaid to the Seller at Closing. As at 30 June 2020, the principal amount of the Inter-Company Loans amounted to US$244,770,000 (equivalent to approximately HK$1,896,967,500).

The principal amount of the Inter-Company Loans may be increased after the date of the Agreement and prior to Closing, but shall not exceed US$55,000,000 (equivalent to approximately HK$426,250,000) in the aggregate from the date of the Agreement through the initial Closing Date, and, if the Closing is extended pursuant to terms of the Agreement, US$20,000,000 (equivalent to approximately HK$155,000,000) for the first 30 days that the initial Closing Date is extended, and the Seller shall not be required to fund further costs pursuant to the Contribution Agreement before the Closing Date if the Closing Date is extended for more than 31 days from the initial Closing Date.

The Consideration and the Inter-Company Loans will be paid by the Purchaser to the Seller in the following manner:

(a) prior to the Closing, the Purchaser shall deposit an amount equal to the Consideration and the Inter-Company Loans less the Deferred Amount (i.e. as at 30 June 2020, it is an amount equal to US$314,770,000) (the "**Closing Consideration**") with the escrow agent who shall release the Closing Consideration to the Seller at the Closing upon satisfaction of the terms and conditions of Closing;

(b) the payment of the First Tranche Deferred Amount, being US$100,000,000 (the "**First Tranche Deferred Amount**") (subject to the Deferred Amount Adjustments as described below), shall be evidenced by a promissory note in an agreed form (the "**First Tranche Subordinated Note**") signed by the Deferred Amount Borrower and having a maturity date not later than three years from the Closing. Under the First Tranche Subordinated Note, the Purchaser shall have the right to extend its maturity date for two successive one year periods, and the outstanding amount of the First Tranche Deferred Amount shall earn interest at the First Tranche Deferred Amount Interest Rate as from the Closing Date. The First Tranche Deferred Amount and all interest earned thereon shall be repaid from and after the earlier of repayment in full of the Replacement Financing and the maturity date of the First Tranche Subordinated Note (the "**First Tranche Deferred Amount Repayment Date**") and in the event that a payment of the First Tranche Deferred Amount is made before the First Tranche Deferred Amount Repayment Date, such early payment will be held by the Replacement Financing Lender in trust for the Seller until the First Tranche Deferred Amount Repayment Date; and

(c) the payment of the Second Tranche Deferred Amount, being US$100,000,000 (the "**Second Tranche Deferred Amount**"), shall be evidenced by a promissory note in an agreed form (the "**Second Tranche Subordinated Note**", together with the First Tranche Subordinated Note, the "**Subordinated Notes**") signed by the Deferred Amount Borrower and having a maturity date not later than three years from the Closing. Under the Second Tranche Subordinated Note, the Deferred Amount Borrower shall have the right to extend its maturity date for two successive one-year periods and the outstanding amount of the Second Tranche Deferred Amount shall earn interest at the Second Tranche Deferred Amount Interest Rate as from the Closing Date. The Second Tranche Deferred Amount and all interest earned thereon shall be repaid from and after the earlier of repayment in full of the First Tranche Deferred Amount and the maturity date of the Second Tranche Subordinated Note.

The Subordinated Notes will be secured by a mortgage on the Selected Condominium Units of the Chicago Property Project (the "**Mortgage**"). The Subordinated Notes and the Mortgage will be subordinated to the Replacement Financing. Having taken into account the overall commercial arrangement in respect of the Deferred Amount under the Subordinated Notes namely, the amount of interests to be accrued on the Deferred Amount under the Subordinated Notes at the Deferred Amount Interest Rates which are at progressive rates, that mortgaging more Condominium Units may hinder and slow down the sale process and the value of the Selected Condominium Units may be valued at a higher price than the minimum release price upon the expiration of the Subordinated Notes, it is considered that the Mortgage is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

If the Purchaser elects to extend the Closing, the First Tranche Deferred Amount shall increase as follows (the "**Deferred Amount Adjustments**"):

(a) if the Closing occurs within 30 days after the initial Closing Date, the First Tranche Deferred Amount shall be increased by an amount equal to US$100,000 per day for each day of extension from the initial Closing Date through the 30th day after the initial Closing Date; and

(b) if the Closing occurs more than 31 days after the initial Closing Date, the First Tranche Deferred Amount shall be increased by an amount equal to US$166,667 per day for each day of extension from and including the 31st day after the initial Closing Date through the Closing Date.

Magellan Holdco LLC, an entity with common controlling shareholders of the Purchaser, will provide an unconditional and absolute guarantee to the Seller for, among others, repayment of some or all of the Deferred Amount (with interest thereon) under certain circumstances as may be applicable to the Purchaser, including filing of bankruptcy petition by the Purchaser.

The Consideration was determined by the Seller and the Purchaser after arm's length negotiations with reference to the amount of capital contribution by the Seller towards the Target Company as at the date of the Agreement and the prevailing market conditions.

Termination without cause

As the Seller and the Purchaser have agreed in writing on 15 August 2020, within 28 days from the date of the Agreement, the Deferred Amount Borrower, and Seller shall work cooperatively and expeditiously with Replacement Financing Lender to negotiate (i) the terms of an inter-creditor agreement by and among the Seller and Replacement Financing Lender and (ii) the related financing terms under the Subordinated Notes in accordance with the terms of the Agreement. If the parties fail to reach agreement on the 28^{th} day after the date of the Agreement, either the Purchaser or the Seller shall be entitled to immediately terminate the Agreement without any liabilities.

As of the date of this Circular, the Seller and the Purchaser have conditionally agreed on the said terms with the Replacement Financing Lender and to waive the contingency on the Terms Negotiation.

Conditions precedent

Closing of the Disposal is conditional upon the satisfaction or waiver (as the case may be) of conditions including:

(a) the Purchaser having executed and delivered to the Seller or escrow agent all documents required to be delivered by the Purchaser at or prior to the Closing, deposited the Purchase Price less the Deferred Amount with the escrow agent, paid all other sums of money required under the Agreement and taken or caused to be taken all other action required of Purchaser pursuant to the Agreement;

(b) the Purchaser not having been in default of any covenant or agreement to be performed by the Purchaser under the Agreement and having performed in all material aspects all other obligations required to be performed by it under the Agreement;

(c) the representations and warranties of the Purchaser remaining true and correct in all material respects as of the Closing Date, except where the failure of such representations and warranties to be true and correct would not have a material adverse effect on the Seller;

(d) the Seller having executed and delivered all documents required to be delivered to the Purchaser or escrow agent by the Seller at or prior to the Closing, paid all sums of money required of the Seller and taken or caused to be taken all other action required of the Seller at or prior to the Closing pursuant to the Agreement;

(e) the Seller not having been in default of any covenant or agreement to be performed by the Seller under the Agreement and having performed in all material aspects all other obligations required to be performed by it under the Agreement;

(f) the representations and warranties of the Seller remaining true and correct in all material respects as of the Closing Date, except where the failure of such representations and warranties to be true and correct would not have a material adverse effect on the Purchaser;

(g) prior to but concurrently with the Closing, the Purchaser having contributed (or caused to be contributed) to the Target Company additional capital of not less than US$20,000,000 in immediately available funds, which shall be subordinated in all respects to repayment of the Deferred Amount;

(h) certain insurers as co-insurers having committed to issue title insurance to the Seller insuring the Seller's interest as a first priority perfected mortgage under the Mortgage, subject to certain exceptions permitted under the Agreement;

(i) certain insurers as co-insurers having committed to issue, to the extent required by any lenders of Replacement Financing, a lender's policy of title insurance in connection with the Replacement Financing, subject to certain exceptions permitted under the Agreement;

(j) any and all approvals which may be required for Closing from the Stock Exchange and the shareholders of the Company having been obtained; and

(k) no order of any court of competent jurisdiction having been issued in any action declaring illegal or invalid, or enjoining, the transactions contemplated by the Agreement.

The Seller may by written notice delivered to the Purchaser waive conditions (a), (b), (c), (h) and (k) set out above and the Purchaser may by written notice delivered to the Seller waive conditions (d), (e), (f), (i) and (k) set out above. The right of the Seller to waive the said conditions is intended to provide the Seller with flexibility in determining whether to proceed with the Disposal in the event any of the conditions cannot be met and the Seller will take into account interest of the Company and the Company's shareholders as a whole when exercising its right to waive any of the conditions. As at the Latest Practicable Date, the Company has no intention to waive any of the conditions.

If the Seller is unable to obtain the Related Approvals by the Closing Date, either the Seller or the Purchaser may terminate this Agreement and the parties shall cause the Target Company to reimburse each of the Seller and the Purchaser such out-of-pocket costs in connection with the entry into and performance under the Agreement, subject to the maximum amount of US$2,000,000 in the case of the Purchaser and US$1,000,000 in the case of the Seller. Subject to such reimbursement, upon such termination, neither party shall have any further rights or obligations under the Agreement, except for those obligations that expressly survive termination.

Closing

Closing will take place on or before 22 October 2020, subject to extension by (i) the Purchaser in its sole discretion for a period up to but not extending beyond 14 December 2020; or (ii) the Seller, if the Related Approvals have not been obtained by the initial Closing Date, for a period up to but not exceeding 30 days; and when all the conditions precedent have been satisfied (or waived, as the case may be) by the Seller and the Purchaser.

On or before Closing, the Purchaser shall also have obtained the Replacement Financing.

Upon the Closing, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

Remedies

In the event of a breach or default by the Purchaser after written notice from the Seller in the manner set out under the Agreement and the failure of the parties to close, the Seller's sole remedy under the Agreement is to terminate the Agreement whereby the Seller nor the Purchaser shall have any further rights or obligations under the Agreement and, up to the 45th day from the date of the Agreement, the Seller shall receive as liquidated damages the sum of US$10,000,000, or, in lieu of paying such liquidated damages in cash, the Purchaser may transfer to the Seller unencumbered and absolute title to 33.34% of the Purchaser's 10% Membership Interests, or on or after the 45th day from the date of the Agreement, the Seller shall receive as liquidated damages the sum of US$15,000,000, or, in lieu of paying such liquidated damages in cash, the Purchaser may transfer to the Seller unencumbered and absolute title to 50% of the Purchaser's 10% Membership Interests (the "**Transfer for Purchaser's Default**").

In the event of a breach or default by the Seller after written notice from the Purchaser in the manner set out under the Agreement and the failure of the parties to close, the Purchaser's sole remedy under the Agreement is to terminate the Agreement whereby the Purchaser nor the Seller shall have any further rights or obligations under the Agreement and the Purchaser shall receive as liquidated damages the sum of US$10,000,000, or, in lieu of paying such liquidated damages in cash, the Seller may transfer to the Purchaser unencumbered and absolute title to approximately 3.37% of the Seller's 90% Membership Interests (the "**Transfer for Seller's Default**").

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability corporation incorporated in the state of Delaware, the USA. It is principally engaged in property development.

The following is a summary of the unaudited loss before and after taxation of the Target Company for the two years ended 31 December 2018 and 2019 respectively and the six months ended 30 June 2020:

	For the year ended 31 December		**Six months ended**
	2018	**2019**	**30 June 2020**
	HK$'000	*HK$'000*	*HK$'000*
Net loss (before taxation)	28,773	21,906	9,629
Net loss (after taxation)	28,773	21,906	9,629

The unaudited net assets value of the Target Company as at 30 June 2020 was approximately HK$2,173,110,000.

The statement below shows a reconciliation of the valuation of the property interests of the Target Company as at 31 July 2020 (the effective date of the valuation) from the net book value of the property interests of the Target Company as at 30 June 2020:

	USD'000
Net book value as at 30 June 2020	682,073
Movement from 30 June 2020 to 31 July 2020	
— Additions	15,389
Net book value as at 31 July 2020	697,462
Valuation Surplus	20,538
Valuation as at 31 July 2020 as per Appendix IV	718,000

FINANCIAL EFFECTS OF THE DISPOSAL

For illustrative purpose, the Disposal is expected to give rise to a gain of approximately HK$130 million (before any taxation), calculated with reference to the difference between (i) the Consideration being HK$2,092.5 million; (ii) the unaudited carrying amount of the Target Company attributable to the Group as at 30 June 2020, being HK$1,955.8 million; (iii) reversal of cumulative exchange reserve as at 30 June 2020, being approximately HK$5.7 million; (iv) the expected net loss for the period from July 2020 to October 2020, being approximately HK$8.7 million, and the estimated transaction costs and expenses for the Disposal, being approximately HK$9.8 million. The excess of the Consideration over the unaudited net assets value of the Target Company attributable to the Company as at 30 June 2020 was approximately HK$136.7 million, exclusive of the Inter-Company Loans. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to any changes to the carrying amount of the Target Company by reference to a finalised valuation as at the Closing Date, fluctuation of exchange rate, tax effect of the Disposal (if any), and will be assessed after Closing.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group are property development, property investment and management, hotel operation and management, hotel design and construction management services.

As the Company has previously disclosed in its publications including its annual reports, it is the Company's strategy to deleverage and focus on fee-based business. The Chicago Property Project is still under construction and as disclosed in the valuation report in Appendix IV, as at 31 July 2020, the estimated development cost of the Chicago Property Project is approximately US$889 million, while the actual development cost incurred as of 31 July 2020 was approximately US$600 million. As a result, until completion of the Chicago Properly Project, which is expected to take place in the second quarter of 2021, the Company expects that a further US$289 million is to be contributed by the Company and Wanda HK to complete the project. The expected additional capital contribution will require the Group to divert more of its existing financial resources to the Chicago Property Project and be contradictory to the Company's strategy to deleverage and focus on fee-based business. As such, the Disposal will be consistent with the Company's strategy to deleverage.

While the Chicago Property Project has contracted sales of condominium units of approximately US$442 million (and such contracted sales cannot be booked as revenue until upon delivery of such sold units), approximately 52.3% of condominium units (as a percentage of total square footage) remain unsold. In line with the Company's initiative as disclosed in the Company's annual report published on 27 April 2020, the Company has been looking for and been in negotiations with potential purchasers for the Chicago Property Project. The Consideration for the Disposal was based on arm's length negotiations with the Purchaser and the amount represents the Company's capital contributions of US$270 million. Please refer to the table below for a breakdown of the Seller's capital contribution by year:—

Year	**Capital Contribution Amount** *(USD million)*
2014	4.80
2015	7.20
2016	189.07
2017	23.93
2018	45.00
2019	nil
2020 (until the date of this letter)	nil
Total	**270.00**

Although the Consideration is determined based on the Company's capital contribution of US$270 million to the Target Company without a cash premium, the Seller and the Directors consider the Consideration is fair and reasonable taking into account the non-monetary benefits, namely, the lifting of further funding obligations in respect of the Chicago Property Project and the flexibility to the Group in terms of re-allocation of its funding and other resources for its fee-based business. In view of the uncertainties in the global economy presented by various factors including the outbreak of the COVID-19 coronavirus, the Company considers that the Disposal to the Purchaser represents an exceptional opportunity for the Group to realise its investment in the Chicago Property Project as it allows the Company to recapture its capital contributions before completion of the Chicago Property Project, to save the Company from incurring further capital expediture and to focus its resources on fee-based business.

As at 30 June 2020 and if the Group will continue to be a shareholder of the Target Company, the Company has and will continue to have shareholder's loans from Wanda HK for (i) the Chicago Property Project of US$210 million (including interest as at 30 June 2020) and (ii) the acquisition of Wanda Hotel Management Group of US$119 million (including interest as at 30 June 2020). The Target Company (the financials of which is currently consolidated into the financial statements of the Group) also has and will continue to have an interest-bearing loan from a financial institution amounting to US$125 million.

The amount of net proceeds from the Disposal and the repayment of the Inter-Company Loans will be shared between the Company and Wanda HK pro rata to their shareholding in the Chicago Property Project as to 60% and 40% respectively. The 60% attributable to the Group in the amount of US$307 million (subject to adjustment of the amount of repayment of the Inter-Company Loans) will be used by the Group to repay Wanda HK in full for the shareholder's loan and interest in relation to the Chicago Property Project of US$210 million, and partially repay Wanda HK for the shareholder's loan and interest in relation to the acquisition of Wanda Hotel Management Group of US$97 million (the full principal amount of such shareholder's loan being US$114 million). Upon Closing, the interest-bearing loan of the Target Company from a financial institution of approximately US$125 million will also no longer be consolidated into the financial statements of the Group. As a result, the Disposal will help reduce the indebtedness of the Group and will benefit the Group by strengthening the financial position of the Group. In addition, the Group will be able to divert its resources to focus more on the business of hotel management and operation services, hotel design, hotel construction management and related consultancy services.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder including the Consideration of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this Circular, the Target Company is an indirect non-wholly owned subsidiary of the Company and is owned as to 10% by the Purchaser. Therefore, the Purchaser is a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level. The Disposal (and the Transfer for Default, if applicable) therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, a connected transaction between the listed issuer's group and a connected person at the subsidiary level on normal commercial terms or better is exempt from the circular, independent financial advice and shareholders' approval requirements if: (1) the listed issuer's board of directors have approved the transaction; and (2) the independent non-executive directors have confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the listed issuer and its shareholders as a whole.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Disposal (and the Transfer for Default, if applicable) contemplated under the Agreement and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Disposal and the Transfer for Default are fair and reasonable, and that the Disposal and the Transfer for Default are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Disposal and the Transfer for Default are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceed 75%, the Disposal and the Transfer for Default (if applicable) constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

SGM

The SGM will be convened and held to seek approval from the Shareholders in relation to the Agreement and the transactions contemplated thereunder. As far as the Company is aware, none of the Shareholders is materially interested in the Agreement and the transactions contemplated thereunder, and thus no Shareholder is required to abstain from voting at the SGM on the resolution in relation to the Agreement and the transactions contemplated thereunder. The Company has also been informed by its controlling Shareholder, Wanda Overseas, that it has irrevocably undertaken to the Company to vote in favour of the Disposal at the SGM.

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this Circular. Whether or not you intend to attend and vote at the SGM in person or any adjournment thereof, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish and in such event, the form of proxy shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 October 2020 to Friday, 16 October 2020 (both dates inclusive) for determining the identity of Shareholders who are entitled to attend and vote at the SGM. No transfer of shares of the Company will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered Shareholders should ensure that all share transfer documents accompanied by the relevant share certificates are lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 October 2020.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the view that the Agreement and the transactions contemplated thereunder was on normal commercial terms, and the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully,
For and on behalf of the Board
Wanda Hotel Development Company Limited
Ding Benxi
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and financial information of the Group for the six months ended 30 June 2020 was disclosed in the annual reports of the Company for the years ended 31 December 2017 (pages 98 to 260), 2018 (pages 100 to 297) and 2019 (pages 110 to 267) and the interim report of the Company for the six months ended 30 June 2020 (pages 27 to 80), respectively, all of which can be found on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.wanda-hotel.com.hk).

Please also see below quick links to the relevant reports:

Annual report of the Company for the year ended 31 December 2017
(https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804261394.pdf)

Annual report of the Company for the year ended 31 December 2018
(https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904251268.pdf)

Annual report of the Company for the year ended 31 December 2019
(https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701737.pdf)

Interim report of the Company for the six months ended 30 June 2020
(https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0918/2020091801326.pdf)

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 July 2020, being the latest practicable date of the purpose of this indebtedness statement prior to printing of this Circular, the Group had a total of HK$5,991.9 million debts and borrowings.

As at 31 July 2020, the Group had secured and guaranteed interest-bearing borrowing from a financial institution of HK$968.8 million, which was borrowed by the Target Company and was secured by the construction in progress, freehold land and properties under development of the Target Company. The borrowing is denominated in US$.

As at 31 July 2020, the Group had outstanding interest-bearing borrowings from an intermediate holding company of HK$4,251.3 million, including the accrued interest on borrowings amounting to HK$190.2 million. These borrowings from the intermediate holding company are unsecured and unguaranteed. These borrowings are denominated in US$ and HK$.

Further, as at 31 July 2020, the Group had outstanding interest-free advances from an intermediate holding company of HK$771.8 million. These amounts are unsecured and unguaranteed.

Lease liabilities

As at 31 July 2020, the Group had outstanding lease liabilities amounting to HK$297.3 million, comprising (i) secured and unguaranteed lease liabilities of HK$267.1 million, which were secured by rental deposits paid by the Group; and (ii) unsecured and unguaranteed lease liabilities of HK$30.2 million.

Contingent liabilities

As at 31 July 2020, the Group had provided guarantees in an aggregate amount of HK$3.1 million to certain banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties during previous years. Each of these guarantees will be released upon the execution of individual purchasers' collateral agreements.

Save as disclosed above and apart from intra-group liabilities and the normal trade and other payables in its ordinary course of business, as at 31 July 2020, the Group did not have any outstanding mortgages, charges, debt securities, term loans and overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of any unforeseen circumstances and after taking into consideration the financial resources available, including internally generated funds, shareholder's loans and shareholder's facilities, and the net proceeds from the Disposal, the Group has sufficient working capital for its requirements for at least twelve months from the date of this Circular.

4. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company whose subsidiaries are principally engaged in property investment and management, hotel operation and management, hotel design and construction management services in the PRC. With the outbreak of the COVID-19 coronavirus (the "**Pandemic**") in the first half of 2020, the global market and in particular on the leasing of commercial properties and hotel management operations has been confronted with market turbulence and challenges and it is expected that such market environment will continue in the near future. It is expected, however, that the Group will continue to generate stable property leasing revenue and hotel management fee income for the Group.

The Company considers that the Disposal represents an opportunity for the Group to realize its investments in the Chicago Property Project, and will benefit the Group by strengthening its liquidity and financial position.

After the Disposal, the Company has no intention to terminate, downsize and dispose of its existing businesses in China, including the Guilin Project.

6. MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Following the Disposal, the Remaining Group will continue to carry out its existing businesses. Set out below is the management discussion and analysis of the Remaining Group for the six months ended 30 June 2020 ("**1H2020**") and each of the three years ended 31 December 2017, 2018 and 2019 (the "**Reporting Periods**"), prepared on the basis that the Target Company is not consolidated, and the Company has no ownership interest in the Target Company. The financial data in respect of the Remaining Group, for the purpose of this Circular and for illustrative purpose only, is derived from the consolidated financial statements of the Group for the Reporting Periods.

A. Operational and Financial Review

(a) For the six months ended 30 June 2020

In 2019, the Company decided to cease its business of the development and sale of properties in the PRC and all the completed properties held for sales in the PRC have been sold out in 2019. Therefore, the segment of the development and sale of properties was classified as a discontinued operation in 2019 and the comparative figures of the six months ended 30 June 2019 ("**1H2019**") have been restated accordingly.

Revenue

The Remaining Group recorded revenue (from continuing operations) of approximately HK$246.1 million for 1H2020 (1H2019: HK$390.8 million). During 1H2020, the Remaining Group had three operating business segments, namely:—

i. Hotel operation and management services;
ii. Hotel design and construction management services; and
iii. Investment properties leasing.

The segment revenue during 1H2020 can be analysed as below:—

i. **Hotel operation and management services segment** — The segment revenue for 1H2020 amounted to approximately HK$113.2 million, representing a decrease of approximately 48.9% as compared to approximately HK$221.7 million for 1H2019. Such segment revenue decrease was mainly attributable to travel advisories or restrictions in the PRC resulting from the Pandemic since the first quarter of 2020. As a result, the occupancy of the hotels managed by the Remaining Group has substantially declined to approximately 28% during 1H2020 (1H2019: approximately 54%). This has impacted the gross operating revenue of the hotels managed by the Remaining Group and hence the hotel management fee income received by the Remaining Group.

ii. **Hotel design and construction management services segment** — The segment revenue for 1H2020 amounted to approximately HK$80.7 million, representing a decrease of approximately 7.3% as compared to approximately HK$87.1 million for 1H2019. Such decrease was mainly due to the lower number of contracts in progress during 1H2020 as compared to 1H2019.

iii. **Investment properties leasing segment** — The segment revenue for 1H2020 decreased by approximately 36.5% from the corresponding period (1H2019: HK$82 million) to approximately HK$52.1 million. Such decrease was mainly due to no rental income having been generated from the Hengli City Project for 1H2020 after the disposal of the project in December 2019.

Segment Results

The measure used for segment results of the Remaining Group is profit/(loss) before tax.

Hotel operations and management services segment reported a loss of approximately HK$15.6 million for 1H2020, as compared to profit of HK$119.3 million for 1H2019. Such segment loss was mainly due to the significant decrease in segment revenue as abovementioned, and a majority of the operating costs of the segment is fixed in nature, including staff costs and related expenses.

Hotel design and construction management services segment loss increased by 129.3% to approximately HK$7.3 million for 1H2020, as compared to profit of HK$25 million for 1H2019. Such increase in loss was mainly due to impairment of trade receivables of approximately HK$32.1 million for 1H2020.

Investment properties leasing segment profit increased to approximately HK$54.7 million for 1H2020, as compared to HK$1.8 million for 1H2019. Such segment profit increase was mainly due to absence of provision of approximately HK$60.4 million net valuation loss of investment properties in the Hengli City project provided in 1H2019 following the disposal of the project in December 2019.

(Loss)/Profit Attributable to Equity Holders of the Parent

During 1H2020, the Remaining Group's loss attributable to the equity holders of the Company amounted to approximately HK$31 million (1H2019: profit of approximately HK$46.5 million).

The loss attributable to the equity holders of the parent for 1H2020 was mainly due to: (i) significant decrease of profit from the segments of hotel operation and management and hotel design and construction management services by approximately HK$167.1 million, as compared to the 1H2019; but offset by (ii) net valuation gain of investment properties of approximately HK$3 million as compared to net valuation loss of approximately HK$62 million in the 1H2019; (iii) a decrease in finance costs of approximately HK$15.4 million due to less interest on loans from an intermediate holding company as a result of decline of floating interest rates; and (iv) decrease of income tax of approximately HK$20.5 million as a result of significant decrease of profit from hotel operation and management segment.

Liquidity, Borrowings and Financial Resources

As at 30 June 2020, the Remaining Group had total cash and bank balances of approximately HK$2,270.5 million. About 86%, 12%, 1% and 1% of the cash and bank balances were denominated in RMB, AUD, US$ and HK$ respectively. As at 30 June 2020, the current ratio of the Remaining Group, which is the quotient arrived at by dividing current assets by current liabilities, was 0.47.

The gearing ratio of the Remaining Group, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 39.9%.

As at 30 June 2020, the Remaining Group had a total of approximately HK$4,061.2 million debts and borrowings. All of these debts and borrowings were repayable within one year.

The debts and borrowings included interest bearing loans of approximately HK$4,061.2 million from an intermediate holding company. These loans are unsecured and denominated in HK$ and US$.

Foreign Currency and Interest Rate Exposure

As at 30 June 2020, the Remaining Group's business was principally conducted in RMB. The functional currency of the Company's subsidiaries in the PRC was RMB and these subsidiaries did not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the subsidiaries outside the PRC were HK$ and US$. The Remaining Group maintained a conservative approach on foreign exchange exposure management. During 1H2020, the Remaining Group did not use any financial instruments to hedge against foreign currency exposure and the Remaining Group did not have any hedging instruments outstanding as at 30 June 2020.

During 1H2020, the Remaining Group had interest-bearing loans from an intermediate holding company. As at 30 June 2020, interest-bearing borrowings of HK$3,188.2 million, being approximately 78.5% of the total interest-bearing borrowings, were on a floating rate basis. The remaining interest-bearing borrowings of HK$873 million were on fixed interest rate basis. Accordingly, the Remaining Group's cost of borrowing was affected by fluctuations in interest rates. During 1H2020, the Remaining Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate loans in order to manage interest rate risks.

Contingent Liabilities

As at 30 June 2020, the Remaining Group had provided guarantees in an aggregate amount of approximately HK$11.9 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon the execution of individual purchasers' collateral agreements.

Capital Expenditure

As at 30 June 2020, the Remaining Group's contracted commitment for capital expenditure was approximately HK$9.9 million.

Employees and Remuneration Policy

As at 30 June 2020, the Remaining Group employed around 494 full-time employees in the PRC, Hong Kong and USA. Remuneration of the employees were subject to adjustment in respect of the individual performance, contribution of each employee and market condition on an annual basis.

The emoluments of the Directors were reviewed and recommended by the remuneration committee of the Board (the "**Remuneration Committee**"), having regard to the Remaining Group's operating results, individual performance and comparable market statistics.

(b) For the year ended 31 December 2019

During the year ended 31 December 2019, the Company has decided to cease its business of development and sale of properties in the PRC. Therefore, the segment of development and sale of properties was classified as a discontinued operation and the comparative figures for the year ended 31 December 2018 in the following paragraphs of this section have been restated to reflect such change.

The Remaining Group's revenue from continuing operations for the year ended 31 December 2019 was approximately HK$812.9 million, as compared to approximately HK$812.3 million in 2018. The revenue for each segment is analysed below.

Investment properties leasing and management segment revenue decreased by approximately 11.6% to HK$149.1 million mainly because the rental income received from Hengli City during the year ended 31 December 2019 dropped.

Revenue from hotel operations and management services for the year ended 31 December 2019 amounted to approximately HK$471.2 million, representing an increase of approximately 9.8% as compared to approximately HK$429.2 million for the year ended 31 December 2018. Such increase was mainly driven by an increase in the number of hotels under management and newly opened hotels during 2019.

Revenue from hotel design and construction management services for the year ended 31 December 2019 amounted to approximately HK$192.6 million, representing a decrease of approximately 10.2% as compared to approximately HK$214.4 million for the year ended 31 December 2018. Such decrease was mainly due to having several projects that progressed faster than expected or completed in 2018, resulting in less fee income received in 2019 than originally planned.

Segment Results

The measure used for reporting segment results of the Remaining Group is profit/(loss) before tax.

Investment properties leasing and management segment loss increased by about 126.7% to approximately HK$666.2 million for the year ended 31 December 2019, as compared to HK$293.9 million for the year ended 31 December 2018. Such significant increase in loss was principally attributable to a net valuation loss of investment properties in Hengli City of approximately HK$788.6 million provided during the year ended 31 December 2019, as compared to approximately HK$430.8 million provided during 2018.

Hotel operations and management services segment profit decreased by about 25.6% to approximately HK$176.2 million for the year ended 31 December 2019, as compared to HK$236.8 million for the year ended 31 December 2018. Such decrease in profit was due to higher staff costs resulting from increase in headcount for development of midscale business during the year ended 31 December 2019.

Hotel design and construction management services segment profit halved to approximately HK$57 million for the year ended 31 December 2019, as compared to HK$116.7 million for the year ended 31 December 2018. Such decrease in profit was due to higher staff costs resulting from increase in headcount during the year ended 31 December 2019.

(Loss)/Profit Attributable to Equity Holders of the Parent

During the year ended 31 December 2019, the Remaining Group's loss attributable to the equity holders of the Company amounted to approximately HK$138.6 million as compared to approximately HK$782.2 million profit in 2018. The loss was mainly driven by (i) significant decrease of disposal gain (approximately HK$136.8 million disposal gain from Hengli City for 2019, as compared to approximately HK$915.7 million disposal gain from the London Project and Australia Projects for 2018); (ii) significant increase in net valuation loss of investment properties in Hengli City by approximately HK$357.8 million; offset by (iii) an increase in other net gains of approximately HK$40.8 million, primarily resulting from compensation of HK$33.2 million for early lease termination received from the tenant in Hengli City; and (iv) reversal of deferred tax previously provided for the revaluation of properties in Hengli City of approximately HK$153.6 million.

Deposits and Other Receivables

As at 31 December 2019, the Remaining Group had deposits and other receivables of approximately HK$25.9 million (At 31 December 2018: approximately HK$1,767.9 million). The decrease in deposits and other receivables was mainly due to (i) receipts of the proceeds receivables from the disposal of the London and Australia Projects during the year, amounting to GBP60,000,000 and AUD25,000,000; (ii) assignment of receivables, amounting to a total of approximately HK$798.2 million, from the disposal of London and Australia Projects to Wanda HK, as announced by the Company on 18 October 2019 and was completed on 17 December 2019; and (iii) the refund of a deposit made in 2018 to the Australian Taxation Office in relation to the disposal of interest in Wanda Australia Real Estate Investment Co., Ltd., amounting to approximately HK$187.2 million during 2019.

Investment properties

As at 31 December 2019, the Remaining Group had investment properties of approximately HK$1,509.2 million (at 31 December 2018: approximately HK$3,345.2 million). The decrease in the amount of investment properties was mainly due to (i) a net valuation loss of investment properties in Hengli City of approximately HK$788.6 million; and (ii) the disposal of investment properties of approximately HK$980.9 million from Hengli City during 2019.

Liquidity, Borrowings and Financial Resources

As at 31 December 2019, the Remaining Group had total cash and bank balances of approximately HK$2,422 million. About 87%, 11%, 1% and 1% of cash and bank balances were denominated in RMB, AUD, US$ and HK$. As at 31 December 2019, the current ratio of the Remaining Group, which is the quotient arrived at by dividing current assets by current liabilities, was 0.54.

The gearing ratio of the Remaining Group, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 38.8% as at 31 December 2019.

As at 31 December 2019, the Remaining Group had no contracted commitment for capital expenditure.

As at 31 December 2019, the Remaining Group had a total of approximately HK$4,187.6 million debts and borrowings. All of these debts and borrowings were repayable within one year.

The debts and borrowings included interest bearing loans of approximately HK$3,513.2 million and non-interest bearing loans of approximately HK$674.4 million from an intermediate holding company. These loans were unsecured and denominated in HK$ and US$.

Foreign Currency and Interest Rate Exposure

As at 31 December 2019, the Remaining Group's business was principally conducted in RMB. The functional currency of the Company's subsidiaries in the PRC was RMB and these subsidiaries did not have significant monetary assets or liabilities denominated in currencies other than their functional currencies. The functional currency of the subsidiaries outside the PRC was HK$ and US$. The Remaining Group maintained a conservative approach on foreign exchange exposure management. During the year, the Remaining Group did not use any financial instruments to hedge against foreign currency exposure and the Remaining Group did not have any hedging instruments outstanding as at 31 December 2019.

During the year ended 31 December 2019, the Remaining Group had interest-bearing loans from an intermediate holding company. As at 31 December 2019, interest-bearing borrowings of HK$2,640.2 million, being approximately 75.2% of the total interest-bearing borrowings, were on a floating rate basis. The remaining interest-bearing borrowings of HK$873 million were on fixed interest rate basis. Accordingly, the Remaining Group's cost of borrowing was affected by fluctuations in interest rates. During the year, the Remaining Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate loans in order to manage interest rate risks.

Contingent Liabilities

As at 31 December 2019, the Remaining Group had provided guarantees in an aggregate amount of approximately HK$25.8 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Group's properties. Each of these guarantees would be released upon the execution of individual purchasers' collateral agreements.

Employees and Remuneration Policy

As at 31 December 2019, the Remaining Group employed around 534 full-time employees in the PRC, Hong Kong and USA. Remuneration of the employees were subject to adjustment in respect of the individual performance, contribution of each employee and market condition on an annual basis.

The emoluments of the Directors were reviewed and recommended by the Remuneration Committee, having regard to the Remaining Group's operating results, individual performance and comparable market statistics.

(c) For the year ended 31 December 2018

On 31 December 2018, the Company completed its acquisition of all the issued shares in Wanda Hotel Management HK for a total consideration of HK$878 million. Wanda Hotel Management HK therefore became a wholly-owned subsidiary of the Company after the completion of the acquisition. The Company's acquisition of Wanda Hotel Management HK was considered to be a business combination under common control as their respective intermediate holding companies were both under the common control of Wanda HK. As such, the consolidated financial statements for 2017 and the financial position as at 31 December 2017 disclosed in these consolidated financial statements have been restated as a result of the adoption of merger accounting as if the business combination had occurred from the beginning of the earliest financial years presented. Likewise, the financial figures of 2017 in the following paragraphs are also restated.

Wanda International and its subsidiaries ("**Wanda International Group**") and Wanda Australia CP and its subsidiaries ("**Wanda Australia CP Group**") were classified as disposal groups held for sale as at 31 December 2017, and Wanda International Group, Wanda Australia CP Group and Wanda Madrid Development, S.L.U. were classified as discontinued operations for the years ended 31 December 2017 and 2018.

Revenue and Results

The Remaining Group's revenue from continuing operations for 2018 was approximately HK$1,019.8 million as compared to HK$656.4 million in 2017. The increase was mainly due to (i) increase in property sales revenue of approximately HK$153.8 million primarily from remaining inventories in the Guilin Project; (ii) increase in hotel design and construction management services income of approximately HK$140 million for new hotel projects contracted to be managed by Wanda Hotel Management Group; and (iii) increase of revenue from hotel management services of approximately HK$60.6 million mainly driven by newly opened hotels and better operating performance achieved by the hotels under management.

As a result of the disposals of the London Project and the Australia Projects and the injection of Wanda Hotel Management HK following the Group's business transformation, the Group has identified four business segments as at 31 December 2018 as below:—

1. Property sales;
2. Property leasing and management;
3. Hotel operation and management services; and
4. Hotel design and construction management services.

Revenue of approximately HK$187.5 million, HK$188.7 million, HK$429.2 million and HK$214.4 million was derived from property sales, property leasing and management, hotel operation and management services, and hotel design and construction management services respectively.

In 2018, the segment profit from the continuing operations of the Remaining Group decreased to approximately HK$94.3 million from approximately HK$334.5 million in 2017.

The property sales segment reported profit of approximately HK$25.5 million as compared to loss of HK$27.6 million in 2017. The segment profit increase was mainly due to an increase in property sales revenue from the remaining inventories in the Guilin Project.

The property leasing and management segment reported loss of approximately HK$284.7 million as compared to profit of HK$130.7 million in 2017. The loss was principally attributed to a net valuation loss of investment properties in Hengli City of approximately HK$430.8 million.

The hotel operation and management services segment reported profit of approximately HK$236.8 million as compared to HK$186.9 million in 2017. The increase was mainly due to the opening of new hotels and better overall performance of hotels under management.

The hotel design and construction management services segment reported a profit of approximately HK$116.7 million in 2018 as compared to HK$44.5 million in 2017, mainly due to an increase in new hotel projects contracted to be managed by Wanda Hotel Management Group.

During the year ended 31 December 2018, the Remaining Group's profit attributable to the equity holders of the Company amounted to approximately HK$782.2 million as compared to approximately HK$229.6 million loss in 2017.

The Remaining Group's profit attributable to the equity holders of the Company from continuing operations was approximately HK$38.7 million (2017: loss of HK$1.8 million). The increase in profit was mainly attributable to i) a decrease of finance costs of approximately of HK$80.9 million in 2018 since the Remaining Group repaid interest-bearing loans from financial institutions and loans from an intermediate holding company; ii) increase in revenue of HK$200.6 million contributed by Wanda Hotel Management HK; iii) an income tax credit of approximately HK$17.9 million as compared to income tax charge of approximately HK$186.3 million in 2017 as a result of lower land appreciation tax incurred during the year and reversal of deferred tax of approximately HK$76 million in 2018; and offset by iv) net valuation loss of investment properties in Hengli City of approximately HK$430.8 million.

During 2018, the Remaining Group's profit attributable to the equity holders of the Company from discontinued operations was approximately HK$743.5 million (2017: loss of HK$227.8 million). Such change was mainly due to gains from disposal of the London Project and Australia Projects of approximately HK$473.3 million and HK$442.4 million respectively.

Deposits and Other Receivables

As at 31 December 2018, the Remaining Group had deposits and other receivables of approximately HK$1,767.9 million (31 December 2017: approximately HK$28.3 million). The increase in deposits and other receivables was mainly due to (i) proceeds receivables from the disposal of the London Project of approximately HK$831.8 million; (ii) proceeds receivables from the disposal of the Australia Projects of approximately HK$715.9 million; and (iii) the deposits of tax amount of HK$187.2 million to Australia tax authority in relation to the disposal of the Australia Projects, which has been fully refunded from Australia tax authority in March 2019.

Liquidity, Borrowings and Financial Resources

As at 31 December 2018, the Remaining Group had total cash and bank balances of approximately HK$2,675.8 million. About 88%, 11% and 1% of the cash and bank balances were denominated in RMB, GBP and US$ respectively. As at 31 December 2018, the current ratio, which is the quotient arrived at by dividing current assets by current liabilities, was 0.82.

The gearing ratio of the Remaining Group, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 1.4%.

The Remaining Group had interest-bearing loans from financial institutions of approximately HK$213.7 million as at 31 December 2018. These loans were denominated in RMB. Approximately 21.6% of these loans were repayable within one year.

The Remaining Group had other interest-bearing borrowings of approximately HK$385.6 million as at 31 December 2018. The above borrowings were obtained from entities controlled by a former director. These borrowings were denominated in RMB and HK$. Approximately 3.3% of these borrowings were repayable within one year.

The Remaining Group had interest-bearing loans from an intermediate holding company of approximately HK$1,380.2 million as at 31 December 2018. These loans were denominated in GBP and HK$. As at 31 December 2018, the Remaining Group also had non-interest-bearing loans from the same intermediate holding company of approximately HK$743.7 million of which HK$678.3 million and HK$65.4 million were denominated in US$ and EUR respectively. The loans denominated in US$ were repayable in 2020 and the loans denominated in EUR were repayable in 2019.

Foreign Currency and Interest Rate Exposure

As at 31 December 2018, the Remaining Group's business was principally conducted in RMB. The functional currency of the Company's subsidiaries in the PRC are RMB and they did not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the subsidiaries outside the PRC was HK$. The Remaining Group was exposed to currency risk primarily through loans that were denominated in RMB, GBP, US$ and EUR respectively. The Remaining Group maintained a conservative approach on foreign exchange exposure management. During the year, the Remaining Group did not have any hedging instruments outstanding as at 31 December 2018.

During the year, the Remaining Group had interest-bearing loans from financial institutions, third parties and an intermediate holding company. Accordingly, the Remaining Group's cost of loans was affected by changes in interest rates. As at 31 December 2018, interest-bearing borrowings of HK$1,192.9 million, being approximately 60.3% of the total interest bearing borrowings, were on a floating rate basis. The remaining interest-bearing borrowings of HK$786.6 million were on fixed interest rate basis. During the year, the Remaining Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate loans in order to manage interest rate risks.

Capital Expenditure

As at 31 December 2018, the Remaining Group's contracted commitment for capital expenditure was approximately HK$179.4 million.

Charges on Assets

As at 31 December 2018, the Remaining Group pledged certain assets to financial institutions in the PRC to secure the loans of approximately HK$213.7 million. These assets included building held for own use, prepaid land lease payment, investment properties, completed properties held for sale and restricted bank deposits of which aggregate carrying value as at 31 December 2018 amounted to approximately HK$5.5 million, HK$16.7 million, HK$850.5 million, HK$7.7 million and HK$4.9 million respectively.

Contingent Liabilities

As at 31 December 2018, the Remaining Group had provided guarantees of approximately HK$413.7 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Remaining Group's properties. Each of these guarantees would be released upon execution of individual purchasers' collateral agreements.

Employees and Remuneration Policy

As at 31 December 2018, the Remaining Group employed around 538 full-time employees in the PRC, Hong Kong, and USA Remunerations of the employees were subject to adjustment in respect of the individual performance, contribution of each employee and market condition.

The emoluments of the Directors were reviewed and recommended by the Remuneration Committee, having regard to the Remaining Group's operating results, individual performance and comparable market statistics.

(d) For the year ended 31 December 2017

As abovementioned the Company completed its acquisition of all the issued shares in Wanda Hotel Management HK in 2018 for a total consideration of HK$878 million. Wanda Hotel Management HK therefore became a wholly-owned subsidiary of the Company after the completion of the acquisition. The Company's acquisition of Wanda Hotel Management HK is considered to be a business combination under common control as their respective intermediate holding companies are both under the common control of Wanda HK. As such, the consolidated financial statements for 2017 and 2016 and the financial position as at 31 December 2017 and 2016 disclosed in this section have been restated as a result of the adoption of merger accounting as if the business combination had occurred from the beginning of the earliest financial years presented. Likewise, the financial figures of 2017 and 2016 in the following paragraphs are also restated.

Revenue and Results

The Remaining Group's revenue from its continuing operations for the year ended 31 December 2017 was approximately HK$656.4 million (2016: HK$428.5 million). The increase in revenue was mainly due to increase in revenue from the hotel operation and management services of HK$190.2 million.

The Remaining Group's revenue from its discontinued operations for the year ended 31 December 2017 was approximately HK$0.9 million (2016: HK$124 million). The decrease was mainly due to certain rental agreements in the Sydney Project expired during 2017 and the existing property structure of the Sydney Project were demolished in the first half of 2017, resulting in a decrease in rental income of approximately HK$123.2 million.

In 2017, the Guilin Project and Hengli City contributed HK$83.8 million (2016: HK$139 million) and HK$129.6 million (2016: HK$111.1 million) to the PRC segment revenue respectively. The PRC segment revenue increased from HK$428.5 million in 2016 to HK$656.4 million in 2017. Such increase in segment revenue was mainly due to increase of revenue from hotel management services of approximately HK$190.2 million mainly driven by newly opened hotels and better operating performance achieved by the hotels under management. The PRC segment profit from continuing operations of the Remaining Group increased from HK$341.9 million in 2016 to approximately HK$390.5 million in 2017 respectively. The increase was mainly due to: (i) increase in profits from hotel operation and management services and hotel design and construction management services of approximately HK$190 million, offset by (ii) decrease in property sales revenue of approximately HK$115.3 million due to Guilin Project and Hengli City having only a limited amount of the remaining units for sale during the year.

Segment profit generated from continuing operations of overseas market of the Remaining Group was approximately HK$1.6 million (2016: loss of HK$73.7 million). No revenue was generated by the Remaining Group from the overseas markets as all business under the overseas segment from the continuing operations were in development phase during 2017.

Segment loss generated from discontinued operations of overseas market for the year was approximately HK$384.1 million (2016: segment profit of HK$59.8 million). The change from segment profit to segment loss is due to (i) certain rental agreements in the Sydney Project has been expired and the existing property structure of the project were demolished in the first half of 2017, resulting in a decrease of rental income of approximately HK$123.2 million from Sydney Project; and (ii) a non-recurring loss on disposal of the Madrid Project of approximately HK$329.7 million.

During the year, the Remaining Group's loss attributable to the equity holders of the Company was approximately HK$229.6 million (2016: HK$18 million). The increase in loss was mainly attributable to a nonrecurring loss on the disposal of the Madrid Project of approximately HK$329.7 million.

Liquidity, Borrowings and Financial Resources

As at 31 December 2017, the Remaining Group had total cash and bank balances of approximately HK$1,440.7 million. About 97%, 2% and 1% of the cash and bank balances were denominated in RMB, US$ and HK$. As at 31 December 2017, the current ratio of the Remaining Group, which is the quotient arrived at by dividing current assets by current liabilities, was 0.94.

The gearing ratio of the Remaining Group, which is the quotient arrived at by dividing net debts by the aggregate of net debts and total equity, was 50.9%.

The Remaining Group had interest-bearing loans from financial institutions of approximately HK$407.9 million as at 31 December 2017 (31 December 2016: approximately HK$3,371.8 million). The decrease was mainly due to the reclassification of bank loans to liabilities directly associated with the assets classified as held for sale resulting from disposal of the London Project and the Sydney Project. The interest-bearing loans as at 31 December 2017 were denominated in RMB and US$. Approximately 45% of these loans were payable within one year.

The Remaining Group had other interest-bearing borrowings of approximately HK$287 million as at 31 December 2017. The borrowings were obtained from entities controlled by a former director. These borrowings were denominated in RMB and HK$. Approximately 74% of these borrowings were repayable within one year. The rest was repayable after one year.

The Remaining Group had interest-bearing loans from an intermediate holding company of approximately HK$3,139.6 million as at 31 December 2017. These loans were denominated in GBP and AUD and were repayable from 2018 to 2025. As at 31 December 2017, the Remaining Group also had non-interest-bearing loans from the same intermediate holding company of approximately HK$1,226.8 million of which HK$689.8 million, HK$68.1 million and HK$468.9 million were denominated in US$, EUR and AUD respectively. The loans denominated in US$ were repayable in 2020 and the loans denominated in EUR and AUD are repayable in 2019.

Foreign Currency and Interest Rate Exposure

As at 31 December 2017, the Remaining Group's business was principally conducted in RMB, GBP, EUR, US$ and AUD. The functional currency of the Company's subsidiaries in the PRC, the UK, the USA (excluding the Target Company) and Australia were RMB, GBP, US$ and AUD respectively and they did not have significant monetary assets or liabilities denominated in currencies other than their respective functional currencies. The functional currency of the subsidiaries outside the PRC, the UK, the USA and Australia was HK$. The Remaining Group was exposed to currency risk primarily through loans that were denominated in RMB, GBP, US$, EUR and AUD respectively. The Remaining Group maintained a conservative approach on foreign exchange exposure management during the year. The Remaining Group did not have any hedging instruments outstanding as at 31 December 2017.

As at 31 December 2017, the Remaining Group had interest-bearing borrowings from financial institutions, third parties and an intermediate holding company. Accordingly, the Remaining Group's cost of loans was affected by changes in interest rates. As at 31 December 2017, interest-bearing borrowings of approximately HK$1,621 million, being approximately 42.3% of the total interest-bearing borrowings, were on a floating rate basis, of which approximately HK$1,213.1 million were loans from an intermediate holding company. The remaining interest-bearing borrowings of HK$2,213.5 million were on fixed interest rate basis. During the year, the Remaining Group had monitored the suitability and cost efficiency of hedging instruments and had considered a mix of fixed and floating rate loans in order to manage interest rate risks.

Capital Expenditure

As at 31 December 2017, the Remaining Group's contracted commitment for capital expenditure was approximately HK$7,041.7 million.

Charges on Assets

As at 31 December 2017, the Remaining Group pledged certain assets to financial institutions in the PRC to secure the loans of approximately HK$407.9 million granted by these financial institutions. The assets included building held for own use, prepaid land lease payment, investment properties, investment properties held for sale, assets classified as held for sale, completed properties held for sale and restricted bank deposits of which aggregate carrying value as at 31 December 2017 amounted to approximately HK$6.2 million, HK$18 million, HK$1,180 million, HK$37 million, HK$3,673.8 million, HK$8 million and HK$11.5 million respectively.

Contingent Liabilities

As at 31 December 2017, the Remaining Group had provided guarantees of approximately HK$475.9 million to banks in favour of its customers in respect of mortgaged loans provided by the banks to these customers for their purchase of the Remaining Group's properties. Each of these guarantees would be released upon execution of individual purchasers' collateral agreements.

Employees and Remuneration Policy

As at 31 December 2017, the Remaining Group employed around 436 full-time employees in the PRC, Hong Kong, the UK, USA, and Australia.

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

B. Material Acquisitions and Disposals

For the year ended 31 December 2019 and the six months ended 30 June 2020

Disposal of Hengli City

On 13 December 2019, the Company as vendor and Zhizun Holdings Limited as purchaser entered into a sale and purchase agreement in respect of the disposal of the 53% of the issued share capital of Amazing Wise Limited, the holding company of Hengli City, for a total consideration of HK$2,000,000. The disposal was completed on 27 December 2019 and as from the completion date, the Company no longer has any interest in Hengli City.

For further details, please refer to the announcement of the Company dated 13 December 2019 (https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1213/2019121301263.pdf).

For the year ended 31 December 2018

Disposal of the London Project

On 16 January 2018, the Company as vendor and R&F Properties (HK) Company Limited ("**R&F**") as purchaser entered into a sale and purchase agreement in respect of the proposed disposal of 60% of the entire issued share capital of Wanda International Real Estate Investment Co. Limited ("**Wanda International**"), the holding company of the London Project, and the Company, R&F and Wanda International entered into a shareholder loan repayment agreement, pursuant to which R&F agreed to repay the debt for and on behalf of Wanda international to the Company. The disposal was completed on 6 July 2018.

For further details, please refer to the announcement of the Company dated 16 January 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0116/ltn20180116835.pdf) and the circular of the Company dated 15 March 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0314/ltn20180314319.pdf).

Disposal of joint venture platform in Australia, the Gold Coast Project and the Sydney Project

On 18 January 2018, Wanda Australia Real Estate investment Co., Limited ("**Wanda Australia RE**"), AWH Investment Group Pty Ltd. ("**AWH**") and Wanda Autralia 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 and repayment of debt in instalments by Wanda Australia CP to Wanda Australia RE. The proposed disposal was approved in the special general meeting convened on 12 March 2018. The disposal of the two projects was completed on 18 May 2018.

For further details, please refer to the announcement of the Company dated 29 January 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0129/ltn20180129355.pdf) and the circular of the Company dated 22 February 2018 (https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0221/ltn20180221443.pdf).

For the year ended 31 December 2017

Acquisition of Wanda Hotel Management HK

On 26 September 2017, the Company and Wanda HK entered into a sale and purchase agreement in respect of the proposed acquisition of the entire equity interest in Wanda Hotel Management HK at a consideration of HK$878 million (subject to downward adjustment). On 31 December 2018, the Company completed its acquisition of all the issued shares in Wanda Hotel Management HK and thus Wanda Hotel Management HK became a wholly-owned subsidiary of the Company.

For further details, please refer to the announcement of the Company dated 26 September 2017 (https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0926/ltn20170926731.pdf) and the circular of the Company dated 15 November 2017 (https://www1.hkexnews.hk/listedco/listconews/sehk/2017/1114/ltn20171114614.pdf).

Disposal of Madrid Project

On 3 November 2016, Wanda Europe Real Estate Investment Co., Limited ("**Wanda Europe**") and Baraka Global Invest S.L.U. ("**Baraka**") entered into an agreement, pursuant to which Wanda Europe has conditionally agreed to sell, and Baraka has conditionally agreed to acquire the entire issued share capital of Wanda Madrid Development S.L.U. ("**Wanda Madrid**") subject to the terms contained therein for the consideration of EUR272 million, subject to adjustments to be made to the consideration by taking into account the amount of cash, cash equivalents and amount of indebtedness of Wanda Madrid as at the date of completion.

For further details, please refer to the announcement of the Company dated 4 November 2016 (https://www1.hkexnews.hk/listedco/listconews/sehk/2016/1104/ltn20161104005.pdf) and the circular of the Company dated 16 December 2016 (https://www1.hkexnews.hk/listedco/listconews/sehk/2016/1216/ltn20161216003.pdf).

UNAUDITED FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited statements of financial position of Parcel C LLC (the "**Target Company**") as at 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020, and the unaudited statements of profit or loss and other comprehensive income, the unaudited statements of changes in equity and the unaudited statements of cash flows of the Target Company for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 (the "**Relevant Periods**"), and explanatory notes (collectively referred to as the "**Unaudited Financial Information**").

The Unaudited Financial Information has been prepared on the basis set out in note 2 to the Unaudited Financial Information below and prepared in accordance with paragraph 14.68(2)(a)(i) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. The Company's auditor, Ernst & Young, was engaged to review the Unaudited Financial Information of the Target Company set out in pages II-2 to II-8 of this circular in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750, *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, the auditor does not express an audit opinion.

Based on the review on the Unaudited Financial Information of the Target Company, nothing has come to the auditor's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET COMPANY

The three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Six months ended 30 June 2019	2020
	US$'000 (unaudited)	*US$'000* (unaudited)	*US$'000* (unaudited)	*US$'000* (unaudited)	*US$'000* (unaudited)
Other income and gains, net	176	366	775	8	230
Selling and distribution expenses	(11,986)	(4,015)	(3,545)	(1,608)	(1,406)
Administrative expenses	(1,454)	(27)	(17)	(11)	(61)
Loss from operations	(13,264)	(3,676)	(2,787)	(1,611)	(1,237)
Finance costs	—	—	(18)	(10)	(2)
Loss before tax	(13,264)	(3,676)	(2,805)	(1,621)	(1,239)
Income tax expense	—	—	—	—	—
Loss for the year/period and total comprehensive loss for the year/period	(13,264)	(3,676)	(2,805)	(1,621)	(1,239)

UNAUDITED STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

31 December 2017, 2018, 2019 and 30 June 2020

	31 December 2017	31 December 2018	31 December 2019	30 June 2020
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	45,624	84,870	111,478	121,959
Freehold land	20,314	20,314	20,314	20,314
Right-of-use assets	—	—	176	—
Total non-current assets	65,938	105,184	131,968	142,273
CURRENT ASSETS				
Properties under development	240,249	392,113	498,581	539,800
Contract incremental costs	—	6,823	7,432	7,451
Restricted bank deposits	24,483	8	441	9,369
Cash and cash equivalents	123,946	8,991	3,658	5,943
Total current assets	388,678	407,935	510,112	562,563
CURRENT LIABILITIES				
Trade payables and other payables	41,860	61,267	62,252	54,678
Amounts due to the immediate holding company	—	42,420	173,020	244,770
Lease liability	—	—	181	—
Total current liabilities	41,860	103,687	235,453	299,448
NET CURRENT ASSETS	346,818	304,248	274,659	263,115
TOTAL ASSETS LESS CURRENT LIABILITIES	412,756	409,432	406,627	405,388
NON-CURRENT LIABILITIES				
Loan from a financial institution	180,000	125,000	125,000	125,000
Total non-current liabilities	180,000	125,000	125,000	125,000
Net assets	232,756	284,432	281,627	280,388
EQUITY				
Equity attributable to owners of the parent				
Share capital	250,000	300,000	300,000	300,000
Accumulated losses	(17,244)	(15,568)	(18,373)	(19,612)
Total equity	232,756	284,432	281,627	280,388

UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF THE TARGET COMPANY

The years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020

	Share capital	Accumulated losses	Total
	US$'000	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)
At 1 January 2017	231,067	(3,980)	227,087
Loss and total comprehensive loss for the year	—	(13,264)	(13,264)
Capital injection from shareholders, net	18,933	—	18,933
At 31 December 2017	250,000	(17,244)	232,756
Effect of adoption of HKFRS 15 *(Note)*	—	5,352	5,352
At 1 January 2018 (restated)	250,000	(11,892)	238,108
Loss and total comprehensive loss for the year	—	(3,676)	(3,676)
Capital injection from shareholders	50,000	—	50,000
At 31 December 2018 and 1 January 2019	300,000	(15,568)	284,432
Loss and total comprehensive loss for the year	—	(2,805)	(2,805)
At 31 December 2019 and 1 January 2020	300,000	(18,373)	281,627
Loss and total comprehensive loss for the period	—	(1,239)	(1,239)
At 30 June 2020	300,000	(19,612)	280,388
At 1 January 2019	300,000	(15,568)	284,432
Loss and total comprehensive loss for the period	—	(1,621)	(1,621)
At 30 June 2019	300,000	(17,189)	282,811

Note: The Target Company has initially applied HKFRS 15 at 1 January 2018, under the transition methods chosen, the financial information for the year ended 31 December 2017 is not restated, the cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2018.

UNAUDITED STATEMENTS OF CASH FLOWS OF THE TARGET COMPANY

The years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Six months ended 30 June 2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOW FROM OPERATING ACTIVITIES					
Loss before tax	(13,264)	(3,676)	(2,805)	(1,621)	(1,239)
Adjustments for:					
Finance costs	—	—	18	10	2
Interest income	(100)	(61)	(13)	(8)	(1)
Depreciation of property, plant and equipment	819	1,219	1,437	427	383
Depreciation of right-of-use assets	—	—	422	211	176
	(12,545)	(2,518)	(941)	(981)	(679)
Increase in properties under development	(108,862)	(146,444)	(96,402)	(43,371)	(39,255)
Increase/(decrease) in trade and other payables	31,130	17,936	378	(4,489)	(7,589)
Interest portion of the lease payments	—	—	(18)	(10)	(2)
Net cash flows used in operating activities	(90,277)	(131,026)	(96,983)	(48,851)	(47,525)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of items of property, plant and equipment	(30,567)	(39,025)	(32,186)	(11,362)	(10,341)
Decrease/(increase) in restricted bank deposits	38,021	24,475	(433)	(2,080)	(8,928)
Interest received	100	61	13	8	1
Net cash flows from/(used in) investing activities	7,554	(14,489)	(32,606)	(13,434)	(19,268)

	Year ended 31 December 2017	Year ended 31 December 2018	Year ended 31 December 2019	Six months ended 30 June 2019	2020
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in an amount due to an intermediate holding company	—	42,420	130,600	62,500	71,750
New loans from financial institutions	180,000	—	—	—	—
Repayment of loans from financial institutions	—	(55,000)	—	—	—
Interest paid	(4,006)	(6,860)	(5,909)	(2,925)	(2,489)
Principal portion of lease payments	—	—	(435)	(216)	(183)
Net proceeds of capital contribution from shareholders	18,933	50,000	—	—	—
Net cash flows from financing activities	194,927	30,560	124,256	59,359	69,078
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	112,204	(114,955)	(5,333)	(2,926)	2,285
Cash and cash equivalents at beginning of year/period	11,742	123,946	8,991	8,991	3,658
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	123,946	8,991	3,658	6,065	5,943

Notes to the Unaudited financial information of the Target Company

1. GENERAL INFORMATION

Parcel C LLC (the "**Target Company**") is a limited liability corporation incorporated in the state of Delaware, the United States of America. The Target Company principally engage in property development.

On 24 July 2020, Wanda Chicago Real Estate, LLC (the "**Seller**"), the immediate holding company of the Target Company, which owned 90% membership interest in the Target Company, has entered into the membership interest purchase agreement ("**Agreement**") with Magellan Parcel C/D LLC (the "**Purchaser**") for the disposal of the 90% of membership interest of the Target Company and the repayment of loans by the Purchaser to the Seller (the "**Disposal**"). Upon completion of the Disposal, the Target Company will cease to be held by the Seller.

The functional currency of the Target Company is US$. All values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

2. BASIS OF PRESENTATION AND PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION OF THE TARGET COMPANY

The Unaudited Financial Information of the Target Company for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal in accordance with paragraph 14.68(2)(a)(i) of the Listing Rules.

The amounts included in the Unaudited Financial Information of the Target Company have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries for the relevant years, which conform with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Unaudited Financial Information of the Target Company has been prepared under the historical cost convention.

The Unaudited Financial Information of the Target Company does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 *Presentation of Financial Statements* nor a set of condensed financial statements as defined in Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA and should be read in connection with the relevant published annual and interim reports of the Group for the Relevant Periods.

3. CHANGES IN ACCOUNTING POLICIES

During the Relevant Periods, the HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the Relevant Periods. Of these, the following developments are relevant to the Target Company's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HKFRS 16, Leases

(a) HKFRS 9, Financial instruments

The Target Company does not have significant impact for adopting HKFRS 9.

(b) HKFRS 15, Revenue from contracts with customers

The Target Company has applied HKFRS 15 using the modified retrospective method adoption, and the Target Company has elected to apply the standard to contracts that were not completed as at 1 January 2018 in accordance with the transition requirements. The Target Company has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, the financial information of the Target Company for the year ended 31 December 2017 continues to be reported under HKAS 18.

HKFRS 15 specifies the accounting treatment for costs an entity incurs to obtain a contract to provide goods and services to customers. The Target Company concluded that, following the adoption of HKFRS 15, sales commissions and other costs directly attributable to obtaining a contract, if recoverable, are capitalized as contract incremental cost. Prior to the adoption of HKFRS 15, those costs were expensed to profit or loss when incurred. Therefore, upon adoption of HKFRS 15, contract incremental costs were increased by US$5,352,000 as at 1 January 2018, which resulted in a decrease in accumulated losses of US$5,352,000.

(c) HKFRS 16, Leases

The Target Company does not have significant impact for adopting HKFRS 16.

4. IMPACT OF THE NOVEL CORONAVIRUS

Since the first quarter of 2020, the outbreak on Novel Coronavirus ("**COVID-19**") has impacted the global business environment. Up to the date of the Unaudited Financial Information, COVID-19 has resulted in an impact to the Target Company's properties construction in progress. Pending the development and spread of COVID-19 subsequent to the date of the Unaudited Financial Information, further changes in economic conditions for the Target Company arising thereof may have impact on the financial results of the Target Company, the extent of which could not be estimated as at the date of the Unaudited Financial Information. The Target Company will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Target Company.

A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 of the Group excluding the Target Company upon the completion of the Disposal (the "**Remaining Group**") (collectively the "**Unaudited Pro Forma Financial Information**") which have been prepared to illustrate the effect of the Disposal (i) as if the Disposal had been completed on 30 June 2020 for the unaudited pro forma consolidated statement of financial position, and (ii) as if the Disposal had been completed on 1 January 2019 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019.

This Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position, the financial performance and cash flows of the Remaining Group had the Disposal had been completed as at 30 June 2020 or 1 January 2019, where applicable, or any future dates.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, which has been extracted from the published interim report of the Company for the six months ended 30 June 2020, after making certain pro forma adjustments that are directly attributable to the Disposal and factually supportable, as set out below.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019, which have been extracted from the published annual report for the year ended 31 December 2019, after making certain pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the published annual report of the Company for the year ended 31 December 2019, the published interim report of the Company for the six months ended 30 June 2020, the financial information of the Target Company as set out in Appendix II to this circular, the Company's announcement dated 30 July 2020 and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information does not take into account the financial effect arising from any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Remaining Group.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group

	The Group as at 30 June 2020	Pro forma adjustments					Unaudited pro forma of the Remaining Group as at 30 June 2020
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current assets							
Property, plant and equipment	109,845						109,845
Investment properties	1,483,454						1,483,454
Right-of-use assets	271,768						271,768
Deferred tax assets	24,331						24,331
Long term receivable	—			1,550,080			1,550,080
Total non-current assets	1,889,398						3,439,478
Current assets							
Trade and bills receivables	238,476						238,476
Prepayments, other receivables and other assets	52,457						52,457
Contract assets	22,004						22,004
Cash and cash equivalents	2,270,466			346,984	2,092,500	(30,832)	4,679,118
	2,583,403						4,992,055
Assets classified as held for sale	5,461,602	(5,462,764)	1,162				—
Total current assets	8,045,005						4,992,055

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group *(continued)*

	The Group as at 30 June 2020	Pro forma adjustments					Unaudited pro forma of the Remaining Group as at 30 June 2020
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Current liabilities							
Trade and other payables	1,386,055	(1,897,064)		1,897,064			1,386,055
Contract Liabilities	37,736						37,736
Receipts in advance	10,920						10,920
Loans from an intermediate holding company	4,061,229						4,061,229
Lease liabilities	8,690						8,690
Tax payable	12,716						12,716
	5,517,346						5,517,346
Liabilities directly associated with the assets classified as held for sale	1,392,590	(1,392,590)					—
Total current liabilities	6,909,936						5,517,346
Net current assets/(liabilities)	1,135,069						(525,291)
Total assets less current liabilities	3,024,467						2,914,187

Unaudited Pro Forma Consolidated Statement of Financial Position of the Remaining Group *(continued)*

	The Group as at 30 June 2020			Pro forma adjustments			Unaudited pro forma of the Remaining Group as at 30 June 2020
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Non-current liabilities							
Contract liabilities	26,498						26,498
Lease liabilities	284,130						284,130
Deferred tax liabilities	172,451						172,451
Total non-current liabilities	483,079						483,079
NET ASSETS	**2,541,388**						**2,431,108**
Equity							
Equity attributable to owners of the parent							
Share capital	469,735						469,735
Retained earnings	169,093		1,162		78,616	(18,500)	230,371
Other reserves	1,206,463				3,404		1,209,867
	1,845,291		1,162		82,020	(18,500)	1,909,973
Non-controlling interests	696,097	(217,311)			54,681	(12,332)	521,135
TOTAL EQUITY	**2,541,388**						**2,431,108**

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group

	The Group for the year ended 31 December 2019		Pro forma adjustments		Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note8)*	*(Note 9)*	*(Note 6)*	
CONTINUING OPERATIONS					
Revenue	812,948				812,948
Cost of sales	(274,210)				(274,210)
Gross profit	538,738				538,738
Other revenue	13,547				13,547
Other income/(loss), net	1,262				1,262
Net valuation loss on investment properties	(787,975)				(787,975)
Selling expenses	(33,763)				(33,763)
Administrative expenses	(175,587)				(175,587)
Finance costs	(152,933)				(152,933)
Loss before tax from continuing operations	(596,711)				(596,711)
Income tax credit	78,643				78,643
Loss for the year from continuing operations	(518,068)				(518,068)
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	129,444	21,906	102,643	(30,832)	223,161

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group *(continued)*

	The Group for the year ended 31 December 2019		Pro forma adjustments		Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note 8)*	*(Note 9)*	*(Note 6)*	
Loss for the year	(388,624)				(294,907)
Attributable to:					
Owners of the parent	(150,387)	11,829	61,586	(18,500)	(95,472)
Non-controlling interests	(238,237)	10,077	41,057	(12,332)	(199,435)
Loss for the year	(388,624)	21,906	102,643	(30,832)	(294,907)
Other comprehensive loss:					
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	(45,892)				(45,892)
Reclassifcation adjustment for a foreign operation disposed of during the period	(117,909)	(106)	(15,270)		(133,285)
Other comprehensive loss for the year, net of tax	(163,801)				(179,177)
Total comprehensive loss for the year	(552,425)				(474,084)
Attributable to:					
Owners of the parent	(298,611)	11,766	52,424	(18,500)	(252,921)
Non-controlling interests	(253,814)	10,034	34,949	(12,332)	(221,163)
	(552,425)				(474,084)

Unaudited pro forma consolidated statement of cash flows of the Remaining Group

	The Group for the year ended 31 December 2019	Pro forma adjustments					Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note10)*	*(Note 9)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Cash flows from operating activities							
(Loss)/profit before tax							
From continuing operations	(596,711)						(596,711)
From discontinued operations	166,181	21,906	102,643			(30,832)	259,898
Adjustments for:							
Finance costs	190,424	(140)					190,284
Interest income from financial assets at fair value through profit or loss	(7,395)						(7,395)
Bank interest income	(6,152)	103					(6,049)
Depreciation	15,437	(11,224)					4,213
Depreciation of right-of-assets/ amortisation of land lease payments	20,767	(3,296)					17,471
Impairment of trade receivables and other receivables	43,596						43,596
Impairment of contract assets	54						54
Gain on disposal of subsidiaries	(136,793)						(136,793)
Net valuation loss on investment properties	787,975						787,975
Impairment of goodwill	3,079						3,079
Gain on disposal of the Target Company	—		(102,643)			30,832	(71,811)
	480,462						487,811

Unaudited pro forma consolidated statement of cash flows of the Remaining Group *(continued)*

	The Group for the year ended 31 December 2019	Pro forma adjustments					Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note10)*	*(Note 9)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Increase in properties under development	(843,004)	752,938					(90,066)
Decrease in completed properties held for sales	116,532						116,532
Decrease in trade receivables and bills receivables	96,999						96,999
Decrease in prepayments, other receivables and other assets	714,605						714,605
Decrease in receipts in advance	(23,873)						(23,873)
Decrease in trade payables and other payables	(1,205,221)	(2,952)					(1,208,173)
Decrease in contract liabilities	(54,727)						(54,727)
Cash (used in)/generated from operations	(718,227)						39,108
Interest portion of the lease payments	(9,112)	140					(8,972)
Taxes paid	(90,711)						(90,711)
Net cash flows used in operating activities	(818,050)						(60,575)

Unaudited pro forma consolidated statement of cash flows of the Remaining Group *(continued)*

	The Group for the year ended 31 December 2019	Pro forma adjustments					Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note 10)*	*(Note 9)*	*(Note 4)*	*(Note 5)*	*(Note6)*	
Cash flows from investing activities							
Purchase of items of property, plant and equipment	(343,508)	251,387					(92,121)
Bank interest received	6,152	(103)					6,049
Interest income from financial assets at fair value through profit or loss	7,395						7,395
Increase in time deposits with original maturity of more than three months when acquired	(223,260)						(223,260)
Increase in restricted bank deposits	(5,458)	3,381					(2,077)
Decrease in other current assets	2,488						2,488
Proceeds received on debt from disposal of subsidiaries	740,495						740,495
Disposal of subsidiaries	(8,104)						(8,104)
Proceeds received on debt from purchaser of the Target Company				346,984			346,984
Net proceeds from disposal of the Target Company	—				2,092,500	(30,832)	2,061,668
Net cash generated from investing activities	176,200						2,839,517

Unaudited pro forma consolidated statement of cash flows of the Remaining Group *(continued)*

	The Group for the year ended 31 December 2019			Pro forma adjustments			Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note10)*	*(Note 9)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Cash flows from financing activities							
Proceeds from new loans from financial institutions	225,760						225,760
Repayment of loans from financial institutions	(99,088)						(99,088)
New loans from an intermediate holding company	1,034,097	(1,020,038)					14,059
Repayment of loans to an intermediate holding company	(905,254)						(905,254)
Proceeds from other borrowings	9,500						9,500
Principal portion of lease payments	(14,286)	3,398					(10,888)
Interest paid	(105,777)	46,152					(59,625)
Net cash flows from/(used in) financing activities	144,952						(825,536)
Net (decrease)/increase in cash and cash equivalents	(496,898)						1,953,406
Cash and cash equivalents at beginning of year	2,741,296	(70,424)					2,670,872
Cash and cash equivalents included in assets held for sale	(28,489)	28,489					—
Effect of foreign exchange rate changes	(17,212)	283					(16,929)
Cash and cash equivalents at end of the reporting period	2,198,697			346,984	2,092,500	(30,832)	4,607,349

Unaudited pro forma consolidated statement of cash flows of the Remaining Group *(continued)*

	The Group for the year ended 31 December 2019	Pro forma adjustments					Unaudited pro forma of the Remaining Group for the year ended 31 December 2019
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(Note 7)	*(Note 10)*	*(Note 9)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
Analysis of balances of cash and cash equivalents							
Cash and bank balances	2,198,697			346,984	2,092,500	(30,832)	4,607,349
Time deposits	223,260						223,260
Less: restricted bank deposits	—						—
Cash and cash equivalents as stated in the consolidated statement of financial position	2,421,957						4,830,609
Less: time deposits with original maturity of more than three months when acquired	(223,260)						(223,260)
Cash and cash equivalents as stated in the consolidated statement of cash flows	2,198,697						4,607,349

Notes to the Unaudited Pro Forma Financial Information

(1) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020.

(2) The adjustment represents the exclusion of assets and liabilities (equivalent to approximately \$5,462,764,000 and \$3,289,654,000, at exchange rate by 7.7504) of the Target Company as at 30 June 2020 set out in Appendix II to this circular as if the Disposal had been completed on 30 June 2020.

(3) The adjustment represents the effect of release of unrealized gain arising from previous intergroup transactions capitalized in certain assets of the Target Company. Upon the Disposal, such unrealized gain was released as profit of the Group.

(4) The adjustment presents the settlement arrangement of loan by Magellan on behalf of the Target Company to the Seller at the amount of US\$244,770,000 (equivalent to approximately \$1,897,064,000 at exchange rate by 7.7504) upon the completion of the Disposal and pursuant to the Agreement. The Consideration does not take into account the additional loan which is to be provided by the Seller to the Target Company between 1 July 2020 and Completion date.

Pursuant to the Agreement, US\$44,770,000 (equivalent to approximately \$346,984,000 at exchange rate by 7.7504) would be repaid by the purchaser to the Seller at the Closing upon satisfaction of relevant terms and conditions of Closing. The remaining portion amounting to US\$200,000,000 (equivalent to approximately \$1,550,080,000 at exchange rate by 7.7504) would be deferred in settlement, and details on the settlement arrangement could be referred to the announcement of the Company dated 30 July 2020.

(5) The adjustment represents the estimated net gain on the Disposal as if it had taken place on 30 June 2020, which is calculated as follows:

	Note	*$'000*
Consideration for the shares owned by the Group of Target Company	*(i)*	2,092,500
Net assets of the Target Company as at 30 June 2020	*(ii)*	2,173,110
Non-controlling interest of the Target Company as at 30 June 2020	*(iii)*	(217,311)
Less: Net assets of the Target Company attributable to the Group as at 30 June 2020		1,955,799
Add: Release of exchange reserve attributable to the Disposal as at 30 June 2020	*(iv)*	(5,676)
Estimated gain on the Disposal as if the Disposal had taken place on 30 June 2020		131,025
Add: Net effect on recycle of other comprehensive income for the Disposal		5,676
Net effect on total equity as of 30 June 2020		136,701
Attributable to:		
Owners of the parent	*(vi)*	82,020
Non-controlling interests	*(vi)*	54,681
		136,701

(i) Pursuant to the Agreement signed on 24 July 2020 among Wanda Chicago Real Estate, LLC (the "**Seller**") and Magellan Parcel C/D LLC (the "**Purchaser**") for the Disposal, the consideration for 90% of issued and outstanding membership interests of the Target Company is US$270,000,000 (equivalent to approximately HK$2,092,500,000), which represents all the interest owned by the Company on the Target Company, and the Group will held no interest in the Target Company once the Disposal completed.

(ii) The amount of net assets of the Target Company (US$280,388,000, equivalent to approximately $2,173,110,000 at exchange rate by 7.7504) were extracted from the unaudited statement of financial position of the Target Company as at 30 June 2020 as set out in Appendix II to the Circular.

(iii) The amount represents portion of the net assets of the Target Company as at 30 June 2020 attributable to the non-controlling interest, who owned 10% interest in the Target Company.

(iv) The amount represents exchange reserve attributable to the Seller to be released to profit or loss as if the Disposal had taken place on 30 June 2020.

(v) The Disposal did not subject to any income tax.

(vi) The Company holds 60% interests in the Seller, the amounts represent 60% of net effect from the Disposal attributable to the Company and 40% of net effect from the Disposal attributable to non-controlling interests, respectively.

The actual amount of gain on the Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of the Target Company, accumulated amount of exchange reserve attributable to the Target Company to be released to profit or loss and loan balance of the Target Company to be repaid by the Purchaser on the date of completion of the Disposal.

(6) The adjustment represents professional expenses and transfer taxes directly attributable to the Disposal which would be recognised in the Remaining Group's consolidated income statement upon completion of the Disposal. The adjustment is not expected to have a continuing effect on the Group. As the Seller is indirectly held as to 60% by the Company and 40% by the non-controlling interests, accordingly 60% net effect from the portion borne by the Seller is attributable to the Company and the remaining 40% is attributable to non-controlling interests.

(7) The amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2019 as set out in the published annual report of the Company for the year ended 31 December 2019.

(8) These adjustments represent the exclusion of the results of the Target Company for the year ended 31 December 2019, which were extracted from the unaudited consolidated statement of profit or loss and other comprehensive income of the Target Company for the year ended 31 December 2019 as set out in Appendix II to this Circular, assuming the Disposal had taken place on 1 January 2019.

Exchange rate of US$1=$7.8104, being average exchange rate for the year ended 31 December 2019, have been used in this adjustment.

(9) The adjustment represents the estimated net gain on the Disposal as if it had taken place on 1 January 2019 which is calculated as follows:

	Note	*$'000*
Consideration for the shares owned by the Group of Target Company		2,092,500
Net assets of the Target Company as at 1 January 2019	*(i)*	2,227,919
Non-controlling interest of the Target Company as at 1 January 2019	*(ii)*	(222,792)
Less: Net assets of the Target Company attributable to the Group as at 1 January 2019		2,005,127
Add: Release of exchange reserve attributable to the Disposal as at 1 January 2019	*(iii)*	15,270
Estimated gain on the Disposal as if the Disposal had taken place on 1 January 2019		102,643
Add: Net effect on recycle of other comprehensive income for the Disposal		(15,270)
Net effect on total comprehensive income		87,373
Attributable to:		
Owners of the parent	*(v)*	52,424
Non-controlling interests	*(v)*	34,949
		87,373

(i) The amount of net assets of the Target Company (US$284,432,000, equivalent to approximately HK$2,227,919,000 at exchange rate by 7.8329) were extracted from the unaudited statement of financial position of the Target Company as at 31 December 2018 as set out in Appendix II to the Circular.

(ii) The amount represents portion of the net assets of the Target Company as at 31 December 2018 attributable to the non-controlling interest, who owned 10% interest in the Target Company.

(iii) The amount represents exchange reserve attributable to the Seller to be released to profit or loss as if the Disposal had taken place on 1 January 2019.

(iv) The Disposal did not subject to any income tax.

(v) The amounts represent 60% of net effect from the Disposal attributable to the Company and 40% of net effect from the Disposal attributable to non-controlling interests, respectively.

The actual amount of gain on the Disposal may be different from the amount described above and would be subject to carrying amounts of net assets of the Target Company, accumulated amount of exchange reserve attributable to the Target Company to be released to profit or loss and loan balance of the Target Company to be repaid by the Purchaser on the date of completion of the Disposal.

(10) These adjustments represent the exclusion of the cash flows of the Target Company for the year ended 31 December 2019, which were extracted from the unaudited consolidated statement of cash flows of the Target Company for the year ended 31 December 2019 as set out in Appendix II to the Circular, assuming the Disposal had taken place on 1 January 2019.

Exchange rate of US$1=$7.8104, being average exchange rate for the year ended 31 December 2019, have been used in this adjustment.

(11) No other adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Wanda Hotel Development Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wanda Hotel Development Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2020, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2019 and related notes as set out in Appendix III of the circular dated 29 September 2020 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed disposal of 90% share in Parcel C LLC and the repayment of loans due by the Target Company to the Group (the "**Transaction**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2020 as if the Transaction had taken place at 30 June 2020, and the Group's financial performance and cash flows for the year ended 31 December 2019 as if the Transaction had taken place at 1 January 2019. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors of the Company from the Group's financial positions as at 30 June 2020 and the Group's financial performance and cash flows for the year ended 31 December 2019, on which interim report and annual report have been published, respectively.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Transaction on unadjusted financial information of the Group as if the Transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
29 September 2020

The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this Circular received from CHFT Advisory and Appraisal Ltd., an independent property valuer, in connection with its valuation as at 31 July 2020 of the property interests held by the Target Company.

華坊 CHFT 諮詢評估有限公司 ADVISORY AND APPRAISAL LTD.

香港干諾道中 90 號大新行 16 樓 1601 室
1601, 16/F, Sun House, 90 Connaught Road Central, Hong Kong
電話 Tel: +852 2301 4080 傳真 Fax: +852 2301 4988

29 September 2020

The Board of Directors
Wanda Hotel Development Company Limited
Unit 3007, 30/F
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs/Madams,

Re: Valuation of Vista Tower, Chicago, Illinois, the USA

In accordance with an instruction for us to value the captioned property interests in the United States of America (the "**USA**") for **Wanda Hotel Development Company Limited** (the "**Company**"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of such property interests as at 31 July 2020 (the "**Date of Valuation**") for the purpose of **Public Circular of the Company** in relation to a Very Substantial and Connected transaction only.

VALUATION BASIS

Our valuation is carried out on a Market Value basis, which is defined as "the estimated amount for which an asset or liability should exchange on the Date of Valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

This valuation complies with "The HKIS Valuation Standards (2017 Edition)" published by The Hong Kong Institute of Surveyors ("**HKIS**"), "RICS Valuation — Global Standards" published by the Royal Institution of Chartered Surveyors ("**RICS**"), the "International Valuation Standards" published by the International Valuation Standards Council as well as the requirements set out in Chapter 5 of Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property interests.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of onerous nature which could affect its value.

VALUATION METHODOLOGY

We have adopted residual approach, which involves an estimation of the capital value of a proposed development with reference to its development potential by deducting costs and developer's profit from its estimated completed development value. We have valued the property interests on the basis of the Group's development scheme provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been/could be obtained without onerous conditions or delays. We reserve the rights to change the value opinion if there is any material change of the state of the property interests concerned. The change of the approvals, including the development parameters approved, and any delay on getting the approvals from the relevant authorities are considered the potential risks that may render a material change on the state and the capital value of the property interests.

In adopting the residual approach, we have made reference to comparable evidences as available in the market to arrive the Gross Development Value and have also taken into consideration the development costs already spent and to be spent to reflect the quality of the completed development.

SOURCE OF INFORMATION

In the course of valuation, we have been provided with copy of certain title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Company, in particular, but not limited to the development scheme, development schedule, construction costs, planning approvals, statutory notices, easements, floor area, etc. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspection of the property was carried out by Mr. Hans Detlefsen, MPP, MAI, Ms. Devanjali Luthra, Ms. Gail Lissner, CRE, SRA and Ms. Jennifer Long on 24 August 2020. The staff responsible for the inspection have about 7 to 45 years of experience in property valuation on sectors including the hospitality and condominium in the relevant markets. We have inspected the exterior and parts of the interior of the property. We have not inspected those parts of the property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable conditions.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property from these uses or sites, and have therefore assumed that none exists.

LIMITATION OF LIABILITIES

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The responsible valuer is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of value of the property in this report is valid only for the stated purpose and at the Date of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding five hundred thousand Hong Kong Dollars. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

Unless otherwise stated, all monetary amounts stated herein are denoted in United States Dollars ("**US$**"), the lawful currency of the United States of America; and the floor and land areas are presented in square feet ("**sqft**").

We enclose herewith our Valuation Report.

Yours faithfully,
For and on behalf of
CHFT Advisory and Appraisal Ltd.

Alex PW Leung MRICS MHKIS
Senior Director

Note: Mr. Alex PW Leung is a member of HKIS and RICS. He has over 20 years' post-qualified experience in valuations of properties in the residential and hospitality sectors, including about 10 years of experience in the USA market. This valuation was made with the assistance of Mr. Hans Detlefsen, MPP, MAI, who has approximately 20 years of experience in the appraisal for the hospitality market in the USA, and Ms. Gail Lissner, CRE, SRA, who has approximately 45 years of experience in the appraisal for the condominium market in the USA.

VALUATION REPORT

Property	Description and Tenure	Occupancy Details	Market Value as at the Date of Valuation
Vista Tower, including the hotel, condominium, car parking spaces, and all amenities contained therein, 363-401 East Wacker Drive, Chicago, Illinois, the USA	The property is a high-rise building under development, consisting of hotel and condominium portions. The property will comprise a total gross area of approximately 1,884,416 sqft and 101 stories upon completion. The building has been topped out in April 2019 and further works were underway as of the Date of Valuation. The property is expected to be completed in Q2 2021, and the hotel portion is expected to have its grand opening in Q3 2021. The property occupies a land area of approximately 52,000 sqft, and the effective town planning zone for the lot is Planned Development No. 70, Subarea E, Parcel D. The area breakdown of the property is listed as below:	At the Date of Valuation, the property was under development.	**US$718,000,000** (UNITED STATES DOLLARS SEVEN HUNDRED EIGHTEEN MILLION) (90% interests attributable: US$646,200,000)

Portion	Gross area *(sqft)*
Hotel (approx. 200 rooms)	401,261
Condominium	1,285,438
Car parking zone and storage area (approx. 300 lots)	197,717
Total	1,884,416

The land is held under freehold.

Notes

a) According to Recorded Doc #1611929092, the title of the land was vested in Parcel C LLC, a Delaware limited liability company. According to the Company, the premium has been paid in full.

b) The property is subject to a mortgage in favour of Ping An Bank Co., Ltd. and the transfer, lease, mortgage and otherwise dispose of the property shall be subject to the prior consent from the mortgagee.

c) According to sales record provided to us, certain condominium units, and car parking and storage spaces of considerations of approximately US$442 million and US$5 million respectively were contracted to sell. Our valuation has taken this fact into consideration.

d) We were provided with a development scheme by the Company, of which the development scheme was approved by The Department of Planning and Development on 23 January 2018, and our valuation was conducted on development basis according to the development scheme provided as per instructed.

e) In assessing the Market Value, we have taken into account the outstanding construction cost, considering the construction progress and the remaining construction period as advised by the Company. We have made reference to a construction cost report provided by the Company, and concluded that the estimated development cost is approximately US$889 million, actual development cost incurred as of Date of Valuation was approximately US$600 million, and thus the estimated outstanding construction cost was estimated to be approximately US$289 million, which were all confirmed by the Company.

f) The Gross Development Value of the property upon completion was estimated to be approximately US$1,190 million.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which will make any statement herein or this Circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV to the SFO) which (a) had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (b) had to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Interests in the shares of Dalian Wanda Commercial Management Group Co., Ltd. ("DWCM") *(Note 1)*

Name of Directors	Long position/ short position	Capacity/Nature of interest	Interest in the shares of DWCM	Approximate percentage of the issued share capital of DWCM
Mr. Ning Qifeng	Long	Beneficial owner	6,000,000	0.13%
Mr. Zhang Lin	Long	Beneficial owner	10,000,000	0.22%
Mr. Han Xu	Long	Beneficial owner	1,600,000	0.035%
Mr. He Zhiping	Long	Beneficial owner	25,000,000	0.55%

Notes:

(1) DWCM, being an indirect holding company of the Company, is an associated company of the Company under Part XV of the SFO. The calculation is based on the total number of 4,527,347,600 shares in issue as at the Latest Practicable Date.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Company, the following persons had or were deemed to have interests and/or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly 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 member of the Group:

Name	Long position/ short position	Capacity/nature of interest	Interest in shares and underlying shares of the Company	Approximate percentage of the issued share capital of the Company
Wanda Overseas	Long	Beneficial owner	3,055,043,100	65.04%
Wanda Real Estate Investments Limited	Long	Interest in controlled corporation *(Note 1)*	3,055,043,100	65.04%
Wanda HK	Long	Interest in controlled corporation *(Note 2)*	3,055,043,100	65.04%
DWCM	Long	Interest in controlled corporation *(Note 3)*	3,055,043,100	65.04%
Dalian Wanda Group Co., Ltd. ("**Dalian Wanda Group**")	Long	Interest in controlled corporation *(Note 4)*	3,055,043,100	65.04%
Dalian Hexing Investment Co., Ltd. ("**Dalian Hexing**")	Long	Interest in controlled corporation *(Note 5)*	3,055,043,100	65.04%
Mr. Wang Jianlin	Long	Interest in controlled corporation *(Note 6)*	3,055,043,100	65.04%
Mr. Chen Chang Wei ("**Mr. Chen**")	Long	Beneficial owner and interest held by controlled corporation *(Note 7)*	278,098,230	5.92%
	Long	Interest of spouse *(Notes 7 and 8)*	23,600,000	0.50%
Ms. Chan Sheung Ni	Long	Beneficial owner	23,600,000	0.50%
	Long	Interest of spouse *(Note 9)*	278,098,230	5.92%
Ever Good Luck Limited ("**Ever Good**") *(Note 10)*	Long	Beneficial owner	73,860,230	1.57%
	Long	Trustee	204,237,800	4.35%

Notes:

(1) Wanda Real Estate Investments Limited holds more than one-third of the issued shares of Wanda Overseas and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda Overseas is interested.

(2) Wanda HK holds more than one-third of the issued shares of Wanda Real Estate Investments Limited and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda Real Estate Investments Limited is deemed to be interested. Mr. Ding Benxi, being a non-executive Director and Chairman of the Board, was a director of Wanda HK until 17 February 2020.

(3) DWCM holds more than one-third of the issued shares of Wanda HK and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Wanda HK is deemed to be interested. Mr. Ding Benxi, being a non-executive Director and the Chairman of the Board, was an executive director and the chairman of the board of directors of DWCM until 10 February 2020. Mr. Ning Qifeng, being an executive Director, is a chief vice president of DWCM.

(4) Dalian Wanda Group holds more than one-third of the issued shares of DWCM and is therefore deemed to have an interest in the shares and underlying shares of the Company in which DWCM is deemed to be interested. Mr. Ding Benxi, being a non-executive Director and the Chairman of the Board, is a director of Dalian Wanda Group. Mr. Zhang Lin, being a non-executive Director, is a director of Dalian Wanda Group.

(5) Dalian Hexing holds more than one-third of the issued shares of Dalian Wanda Group and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Dalian Wanda Group is deemed to be interested.

(6) Mr. Wang Jianlin holds more than one-third of the issued shares of Dalian Hexing and is therefore deemed to have an interest in the shares and underlying shares of the Company in which Dalian Hexing is deemed to be interested.

(7) Mr. Chen is deemed to have a long position of 301,698,230 shares, of which (i) 200 shares are beneficially and legally owned by him, (ii) 204,237,800 shares are held on trust for him by Ever Good, (iii) 73,860,230 shares are beneficially owned by Ever Good, and (iv) 23,600,000 shares are held by his spouse, Ms. Chan Sheung Ni, as beneficial owner.

(8) Ms. Chan Sheung Ni is the spouse of Mr. Chen.

(9) Ms. Chan Sheung Ni is the spouse of Mr. Chen. Ms. Chan Sheung Ni is therefore deemed to have an interest in the shares of the Company in which Mr. Chen is interested.

(10) The entire issued share capital of Ever Good is ultimately owned by Mr. Chen and Mr. Chen is the sole director of Ever Good. See note (7) above.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was a director or an employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

There was no contract or arrangement subsisting at the Latest Practicable Date which any Director was materially interested, and which was significant in relation to the business of the Group.

6. MATERIAL CONTRACT

The following contract, not being a contract entered into in the ordinary course of business of the Group, was entered into by members of the Group within the two years immediately preceding the date of this Circular and up to the Latest Practicable Date and is or may be material:

(a) on 13 December 2019, the Company as vendor and Zhizun Holdings Limited as purchaser entered into a sale and purchase agreement in respect of the disposal of the 53% of the issued share capital of Amazing Wise Limited, the holding company of Hengli City, for a total consideration of HK$2,000,000. The disposal was completed on 27 December 2019 and as from the completion date, the Company no longer has any interest in Hengli City;

(b) on 18 October 2019, the Company as assignor and Wanda HK as assignee entered into a deed of assignment of London project receivables, being the receivables in the total amount of GBP24,000,000 due to the Company by the purchaser of the London Project, for a total consideration of GBP24,000,000. The disposal was completed on 17 December 2019; and

(c) on 18 October 2019, Wanda Australia Real Estate Investment Co., Limited, a non-wholly owned subsidiary of the Company, as assignor and Wanda HK as assignee entered into a deed of assignment of Australia projects receivables, being the receivables in the total amount of AU$105,000,000 due to the assignor from the purchaser of the Australia Projects, for a total consideration of AU$105,000,000. The disposal was completed on 17 December 2019.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who gave opinion or advice contained in this Circular:

Name	Qualification
Ernst & Young	Certified public accountants
CHFT Advisory and Appraisal Ltd	Independent property valuer

Each of Ernst & Young and CHFT Advisory and Appraisal Ltd has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its report or letter (as the case may be) and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of Ernst & Young and CHFT Advisory and Appraisal Ltd had any shareholding interests in the Company or any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in the Company or any member of the Group.

As at the Latest Practicable Date, none of Ernst & Young and CHFT Advisory and Appraisal Ltd had any interest, direct or indirect, in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with the Company or any member of the Group which does not expire or is not determinable by the Company or such member of the Group within one year without payment of compensation (other than statutory compensation).

10. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any businesses which compete or are likely to compete, either directly or indirectly, with business of the Group the interests of which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Name of Director/ associate	Name of company	Nature of interest in the company	Business of the company
Mr. Zhang Lin	DWCM	Being a shareholder with 0.22% interest	Engaging in property development, property lease, property management and investment holding
Mr. Ning Qifeng	DWCM	Being a shareholder with 0.13% interest	Engaging in property development, property lease, property management and investment holding
Mr. Han Xu	DWCM	Being a shareholder with 0.035% interest	Engaging in property development, property lease, property management and investment holding
Mr. He Zhiping	DWCM	Being a shareholder with 0.55% interest	Engaging in property development, property lease, property management and investment holding

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Hui Wai Man, Shirley. She is a fellow member of The Association of Chartered Certified Accountants, HKICPA, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a member of Hong Kong Securities Institute and the Society of Chinese Accountants & Auditors.

(b) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited located at 4th Floor North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Standard Limited located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this Circular prevails over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at Unit 3007, 30/F, Two Exchange Square, 8 Connaught Place, Central, Hong Kong for a period of 14 days from the date of this Circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company containing audited consolidated financial statements of the Company for the two years ended 31 December 2018 and 2019 and the interim report of the Company containing the unaudited consolidated financial statements of the Company for the six months ended 30 June 2020;

(c) the letter from the Board, the text of which is set out on pages 8 to 20 of this Circular;

(d) the unaudited financial information of the Target Company, the text of which is set out in Appendix II to this Circular;

(e) the letter on the unaudited pro forma financial information of the Remaining Group issued by Ernst & Young, the text of which is set out in Appendix III to this Circular;

(f) the valuation report prepared by CHFT Advisory and Appraisal Ltd, the text of which is set out in Appendix IV of this Circular;

(g) the contracts referred to in the paragraph headed "Material contract" in this Appendix V;

(h) the written consents referred to in the paragraph headed "Expert and consent" in this Appendix V; and

(i) this Circular.

萬達酒店發展有限公司

WANDA HOTEL DEVELOPMENT COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 169)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Wanda Hotel Development Company Limited (the "**Company**") will be held at Unit 3007, 30/F., Two Exchange Square, 8 Connaught Place, Central, Hong Kong on Friday, 16 October 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without amendments) as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** the terms of and the transactions contemplated under the Agreement dated 24 July 2020 (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purposes of identification) in respect of the Disposal and the Inter-company Loan be and are hereby approved (terms defined in the circular of the Company dated 29 September 2020 having the same meanings when used in this resolution), and the Directors be and are hereby authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with a second Director, a person duly appointed by the Board or the secretary of the Company, and to take such steps as they may in their absolute discretion considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Agreement and the transactions contemplated thereunder."

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

Hong Kong, 29 September 2020

Notes:

(i) A shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint one proxy or more than one proxy (if he holds two or more shares) who must be an individual or individuals to attend and vote instead of him. A proxy does not need to be a shareholder of the Company.

(ii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not less than 48 hours before the time appointed for holding the meeting (i.e. Wednesday, 14 October 2020 at 10:00 a.m. Hong Kong time) or any adjourned meeting.

(iii) For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 13 October 2020 to Friday, 16 October 2020 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares of the Company should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 12 October 2020.

(iv) If typhoon signal no. 8 or above remains hoisted or "extreme conditions" caused by a super typhoon is announced by the government of Hong Kong or a black rainstorm warning signal is in force at 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the Company's website at http://www.wanda-hotel.com.hk and the HKExnews website at http://www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.