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WANDA SAW 22% DROP IN PROFITS FROM COMMERCIAL PROPERTIES IN 2017

2018/05/01 BY [SHAWNA KWAN](#) — [LEAVE A COMMENT](#)

Wanda Commercial Management Group, formerly known as Dalian Wanda Commercial Properties Co, recorded a 22 percent drop in profit generated from investment properties in 2017, according to a report in Tencent-owned business new site [Yixian](#).

The developer's operating profit from investment properties, has fallen 22 percent to RMB 34.4 billion (\$5.4 billion) from RMB 43.8 billion in the previous year, according to a financial report from Wanda cited by Yixian.



Wang Jianlin at the opening ceremony of Wanda's movie studio in Qingdao

According to [a report last week by Yixian](#), eight of the firm's senior executives have departed over the past year, with Lu Zhengyi stepping down as CEO in February.

Wanda Struggles in Transition to Service Provider

News of Wanda's worsening real estate profits comes after the group in January released a financial summary showing that [revenues from its commercial properties division sank by 21 percent in 2017](#) to RMB 112.5 billion. That showing was significantly below the developer's 2017 target of RMB 148.6 billion announced at the beginning of that year.

2017's performance followed a 25 percent decrease in revenues to RMB 143 billion during 2016, according to a statement from Wanda at the time.

Dalian Wanda Commercial Properties **officially changed its name to Wanda Commercial Management Group**, in March this year, as part of the group's attempted transformation from a property developer into a development services provider and multi-channel retail operator.

Wanda Group announced the strategy in late January when it **sold a 14 percent stake** in the commercial property subsidiary to an investor group led by Tencent. Wanda Commercial said it would step back from the property development business in the following one to two years to focus exclusively on commercial management.

Qingdao Movie Kingdom Opens With a Whimper

The day after the disappointing results were revealed, Wanda announced the completion of the first phase of Qingdao Movie Metropolis, a 166-hectare film production project with an estimated price tag of nearly RMB 50 billion (\$7.9 billion).

Wanda said it expects the Metropolis to host "more than 500 movie and television production companies within three years, with the production of approximately 100 movie and television works every year" in the 52-studio mega-project. "Even during its trial operation, all of its studios and workshops were well occupied," Wanda said.



The Qingdao Movie Metropolis is said to be the world's largest movie studio

It's not clear whether additional films are slated to be produced in the Metropolis, beyond the 11 movies that Wanda boasts of having secured via agreements with nine American film studios in 2016. Among these productions are Pacific Rim: Uprising and The Great Wall, which were co-produced by Wanda-owned Legendary Pictures.

Construction of the first phase, consisting of 30 movie studios, took over four and a half years, following an unveiling that was attended by Leonardo DiCaprio and John Travolta. The Metropolis is funded by Wanda Group, developer Sunac China, and the municipal government of the eastern Chinese city of Qingdao, among other backers.

Wanda Keeps Offloading Properties

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Wanda's Qingdao opening comes after the group led by billionaire Wang Jianlin has attempted to sell over \$9 billion worth of assets over the past year in a bid to ease financial strains following an overseas acquisition spree. In late January, Wanda's hotel arm sold its **pair of Australian projects** in Sydney and the Gold Coast for A\$315 million (\$247 million).

The deal was signed days after Wanda sold its stake in its **landmark London project One Nine Elms** on River Thames for about £59 million (\$81.5 million) to Chinese developer Guangzhou R&F Properties.

The report in Yixian provides some background for this asset sale by revealing that, according to the financial statement as of year-end 2017 Wanda Commercial's interest-bearing liabilities reached RMB 210 billion, including short-term loans of RMB 527 million, RMB 27.3 billion of current portion of non-current liabilities, RMB 92 billion of long-term borrowings and RMB 90.1 billion of debentures payable.

Wanda appears to be taking steps to reduce some of these liabilities via sales of assets on the mainland as well.

Last July the group **announced an agreement to sell a 91 percent stake** in its 13 "Cultural Tourism City" theme park projects, along with 76 hotels, to Tianjin-based builder Sunac for RMB 63.18 billion (\$9.3 billion). A week later, **Guangzhou's R&F Properties stepped in** to purchase the hotels from Wanda for RMB 19.9 billion (\$2.9 billion).

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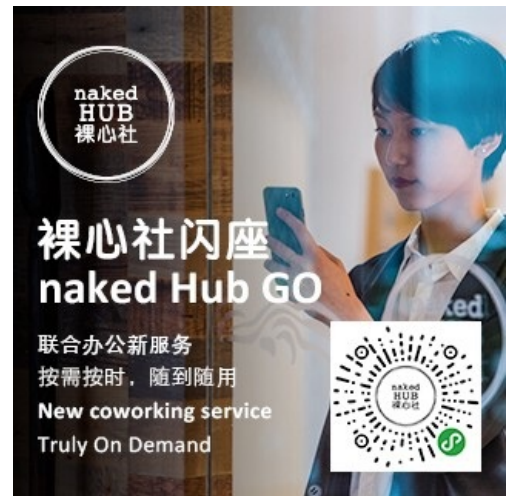
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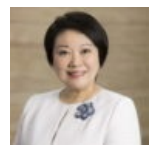
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