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Wanda stock skyrockets after $5.4bn Tencent tie-up

January 30 2018, by Albee Zhang

Wang Jianlin, once China's richest man, has been selling off parts of his real estate empire following a rapid diversification that left the firm mired in debt

Hong Kong shares linked to troubled Chinese conglomerate Wanda surged 52 percent Tuesday after the company announced a $5.4-billion stake sale and retail tie-up with investors including internet giant Tencent.

It is the latest move by Wanda boss Wang Jianlin—once China's richest man—to sell off parts of his real estate empire following a rapid diversification that left the firm mired in debt and under the scrutiny of government regulators.

Wanda Group will sell 14 percent of Wanda Commercial Properties, China's largest shopping mall operator and the group's flagship, for 34 billion yuan ($5.4 billion).

Led by Tencent, the buyers will include leading retailer Suning, ecommerce company JD.com, and real estate giant Sunac, Wanda said in a statement late Monday.

The hook-up with the likes of Tencent and JD.com signals a change in strategy for Wanda—moving away from property development and wading into the rapidly evolving Chinese retail sector.

The news sent the Hong Kong shares of its hospitality arm Wanda Hotels—its main publicly-listed entity—skyrocketing.

The stock leapt 52 percent early Tuesday before falling back to HK$1.72, up 27 percent, just before noon.

The group said Wanda Commercial Properties "will stop engaging in property development and will transform into a company solely focused on commercial management."

Wanda would look to take the company—which will be rechristened Wanda Commercial Management—public "as soon as possible."

Wang had delisted Wanda Commercial from the Hong Kong exchange in 2016 due to low valuations.

The conglomerate's statement said Wanda Commercial would combine its "vast shopping mall assets" with the retail and internet power of Tencent, Suning, and JD.com, to "jointly build a 'new consumption' model in China that will integrate both online and offline services."

"This represents one of the world's largest single strategic investments between Internet companies and brick-and-mortar commercial giants," Wanda said.

Those plans would likely put them in competition with Alibaba, the Chinese e-commerce titan that is pressing ahead with plans to extend its influence in the bricks-and-mortar sphere.

Wanda Group had diversified rapidly in recent years from commercial property into entertainment, theme parks, sports and other sectors, but is now squeezed by debts run up through a series of massive, high-profile foreign acquisitions.

Wanda and other Chinese conglomerates that expanded quickly overseas have come under official scrutiny as Beijing clamps down on capital flight and skyrocketing debt.

Wanda has been selling off assets after reports said authorities advised banks to avoid loans to the group.

Among other divestments, last year it sold dozens of hotels and other projects to Sunac and real estate firm R&F Properties for around $10 billion.