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Kaisa Bondholders Said Not to Have Received Dollar Bond Payment

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(Bloomberg) -- Bondholders of Kaisa Group Holdings Ltd.'s dollar-denominated 2020 notes still haven't received a coupon payment due last week, two people familiar with the matter said today.

The Chinese developer's \$25.625 million of interest due Jan. 8 hasn't reached noteholders' accounts, though most investors anticipate Kaisa will make the payment within the 30-day grace period, the people said, asking not to be identified because they aren't authorized to speak publicly. Lin Yikang, a spokesman for Kaisa, said today that he doesn't know whether the coupon has been paid. The \$500 million of debentures rose.

No Chinese developer has defaulted on dollar bonds and Kaisa would be the first, according to Standard & Poor's. The Shenzhen-based group already defaulted on a loan last month, triggered by the departure of its chairman, spreading concern other Chinese real estate companies may suffer similar payment difficulties as the world's second-largest economy cools and its housing market slows.

Kaisa's Chairman Kwok Ying Shing resigned Dec. 31, triggering a default on a HK\$400 million (\$51.6 million) facility from HSBC Holdings Plc. Days earlier, Chief Financial Officer Cheung Hung Kwong and Vice Chairman Tam Lai Ling also quit.

The builder had 79.9 billion yuan (\$12.9 billion) of liabilities on June 30, according to data compiled by Bloomberg, including four dollar bonds with a face value of \$1.95 billion. Its 105.6 billion yuan of assets included 9.4 billion yuan of cash.

Cash Question

"It looks like since the CFO has resigned they can't even track their own cashflow," Dilip Parameswaran, the head of Asia Investment Advisors Ltd., an independent advisory firm, said by phone today. "How much of the cash they had reported at the end of the first half which is still available is becoming a real question right now."

PricewaterhouseCoopers LLP, Kaisa's auditor, declined to comment about its debt situation, Hong Kong-based spokeswoman Kitty Liu said by e-mail today.

It's not yet known whether a bondholder committee has or will be formed, the two people familiar with the matter said today. Also not clear is whether a restructuring adviser has been hired by Kaisa, they said.

Kaisa's 10.25 percent 2020 notes rose 0.3 cents to 34.303 cents on the dollar as of 10:44 a.m. in Hong Kong, according to prices compiled by Bloomberg. The debentures, sold to investors at par, or 100 cents on the dollar, in January 2013, are climbing for a third day and reached a record-low of 29.901 cents on the dollar Jan. 7.

Its \$800 million of 8.875 percent 2018 notes, sold at par in March 2013, increased 1.4 cents to 35.368 cents, also climbing for a third day.

Worst Month

The company's stock fell 47 percent in Hong Kong in December, its steepest monthly decline on record, before being suspended Dec. 29. Hong Kong Exchanges and Clearing Ltd. doesn't comment on individual companies, it said in an e-mailed response to questions from Bloomberg News today about whether it's seeking clarity on the situation.

Speculative-grade dollar notes sold by Chinese companies have lost 4.6 percent since Dec. 31, the worst start to a year in Bank of America Merrill Lynch indexes.

Kaisa will probably have to resort to using offshore cash to pay its coupon, Asia Investment Advisors' Parameswaran said. That's because if it wanted to use cash onshore to pay an offshore debt, it would first have to get approval from China's State Administration of Foreign Exchange, and that can take several weeks, he said.

S&P downgraded Kaisa to "selective default" from BB- on Jan. 5, saying there was a "high likelihood" it will renege on obligations. Moody's Investors Service cut Kaisa three levels to Caa3 with a negative outlook on the same day.

Kaisa said in a Dec. 21 filing that pre-sales at four projects in the southern coastal city of Shenzhen had been blocked by authorities. The company also hasn't explained the cash shortage or clarified the health issues cited behind Chairman Kwok's resignation.