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MARKETS

Kaisa's Chairman Makes Surprise Return

Kwok Ying Shing's reappointment raises questions about bailout bid by Sunac

A woman rides her bike in front of a construction site operated by Chinese property developer Kaisa in Shanghai, Feb. 17, 2015. *PHOTO: REUTERS*

By **ESTHER FUNG** And **FIONA LAW**
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SHANGHAI— Kaisa Group Holdings Ltd. said Monday it will reappoint Kwok Ying Shing as chairman, a surprise move that analysts said could raise questions about whether an attempt to rescue the Chinese property developer will proceed.

Mr. Kwok, 50 years old, resigned as chairman in late December, a move the company attributed to reasons of health. Kaisa declined to comment further on Mr. Kwok's return.

Kaisa, which is based in Shenzhen, has been seeking concessions from its creditors on more than $2.5 billion in offshore debt, as well as on its onshore borrowings, to expedite a bailout bid by another property developer, Sunac China Holdings Ltd.

“Mr. Kwok’s return might signal that the Sunac acquisition will not go through,” said Chuanyi Zhou, a credit analyst at Lucror Analytics.

The company’s troubles date back to November, when the Urban Planning Land and Resources Commission in Shenzhen, Kaisa’s home city, blocked sales of units in 11 of Kaisa’s projects there, cutting into the flow of cash the firm needs to meet its obligations. The developer and local authorities haven’t provided an explanation, but analysts speculated at the time that the block could have been meant to pressure Mr. Kwok into cooperating with investigations into alleged corruption involving a Shenzhen official.

After Mr. Kwok left, some other senior executives departed as well, and the company was late in making an interest payment on a bond, prompting other creditors to demand repayment. Courts both in Shenzhen and elsewhere in China froze some of Kaisa’s bank accounts.

Last week, the Shenzhen government partially lifted sale restrictions on Kaisa’s property units. One shareholder, Sino Life Insurance Co., extended a 1.377 billion yuan ($222 million) loan to the property developer.

“Following recent news about a partial unlocking of some property units in Shenzhen and Sino Life’s loan to Kaisa…Mr. Kwok Ying Shing may have reached an agreement with the government to cooperate in the anticorruption drive and resume his duties,” said Ms. Zhou.

People familiar with the matter said Sunac seemed surprised by Mr. Kwok’s return, but said that talks on the proposed acquisition are continuing. Sunac declined to comment on Mr. Kwok’s reappointment.

Some analysts said that Mr. Kwok’s return could benefit the company because he would have more incentive to keep Kaisa afloat. And investors appeared to welcome the reappointment.

Kaisa’s series of $2.5 billion of offshore bonds rose three to four cents Monday and were trading at 67 to 68 cents on the dollar.

“The market is taking this [chairman returning] as a positive news,” said Frank Huang, a fixed-income trader at SinoPac Securities in Hong Kong. “But I think the outlook for

Kaisa is still very opaque. There's still no final solution on its debt restructure yet."

Mr. Kwok's return also raises other questions, analysts said.

"Whether it is positive for the company, we don't know. Cash flow remains the biggest problem of Kaisa. Despite the loan from Sino Life, cash flow ultimately depends on whether all the unit blocks will be lifted by the government and whether Kaisa is able to get bank financing again. It's difficult for a company to operate in this situation," said Dilip Parameswaran, founder of Asia Investment Advisors, a credit-research firm.

As of April 7, authorities in Shenzhen had released for sale about 58% of Kaisa's units in seven projects, as well as units in an eighth project intended for rental. Kaisa said authorities haven't told the company why it decided to ease the restrictions.

All eight of the projects are still subject to a court-ordered freeze connected to creditors' efforts to ensure payment of funds owed to them. Some Kaisa bank accounts remain frozen as well.

Write to Esther Fung at esther.fung@wsj.com and Fiona Law at fiona.law@wsj.com