REUTERS

Sunac China to buy two Kaisa units, stakes in two others
(Adds comments, creditors' position, government efforts)

By Umesh Desai

Feb 1 (Reuters) - Sunac China Holdings Ltd will buy two units of troubled Chinese property developer Kaisa Group and acquire majority stakes in two others in a $385 million deal, both companies said on Sunday.

Kaisa has been struggling after a string of senior executives left unexpectedly, authorities blocked sales at some of its projects in Shenzhen late last year and it missed a coupon payment on one of its bonds.

Shares halved in a one-month plunge before trading was suspending in December. Kaisa Group bonds have lost as much as two-thirds of their value since the troubles started last year.

"In view of the distressed debt position and financial difficulties of the company, the company will use the net proceeds ... to increase the cash flow and the general working capital to secure the company's daily operations," Kaisa Group said in a statement filed to the stock exchange.

The fund injection is being watched closely by international debt markets amid concerns Kaisa could be the first Chinese developer to default on its offshore bonds.

Still, doubts are being expressed as to what extent the offshore bond investors will stand to benefit.

"This transaction potentially provides Kaisa with some breathing space but dollar bondholders need to re-evaluate their loss scenarios," said Charles Macgregor, Asia head at Lucror Analytics, an independent credit research firm.

"Onshore creditors maintain a far superior position given their ability to have a direct claim on assets in Chinese courts."

SHENZHEN SUFFERINGS

Notably, the projects under this transaction were in the Shanghai area while the recent troubles Kaisa faced were in the southern city of Shenzhen.

Sunac will buy Kaisa's units Shanghai Rongwan and Shanghai Qingwan, along with their shareholders' loans, for 609.6 million yuan and 1.17 billion yuan respectively, Kaisa Group said.

The firm would also acquire 51 percent stakes in Shanghai Yingwan and Shanghai Chengwan, as well as Shanghai Yingwan's shareholders' loans, for a total of 598.6 million yuan ($96.5 million), Kaisa Group said.

Last week, Kaisa's top executives held meetings with Shenzhen government officials which were deadlocked. Shenzhen officials said the government "needs some time to resolve this incident" as the Kaisa case was linked to China's crackdown on corruption, according to media reports.

Dilip Parameswaran, chief executive at Asia Credit Advisors, said bondholders would monitor government efforts to find a buyer for the company.

"In fact, the more the individual, unencumbered projects are sold piecemeal, the less attractive Kaisa becomes as a whole company," he said.

Standard & Poor's inflicted a seven-notch downgrade on Kaisa taking it down to SD or selective default, after it missed a deadline to make a $26 million interest payment on its bonds due to mature in 2020. The company is in a 30-day grace period after it missed the January 8 due date.

($1=6.2 Chinese yuan) (Reporting by Umesh Desai; Editing by Raissa Kasolowsky and Stephen Powell)