

## A 587 Million Dollar Stake

By Alejandro Almodovar, J.D. Candidate 2017 | March 3, 2015

At the start of the month, Sunac China Holdings Limited took a risk and bought 2.54 billion shares giving them [a 49.3 percent stake](#) in the struggling Chinese developer, Kaisa Group Holdings Ltd. The large stake cost Sunac over [\\$587 million, with shares at roughly \\$1.80](#), according to the Hong Kong stock exchange. This deal has made Sunac the largest shareholder in Kaisa.

[Sunac](#), a listed company on the Hong Kong Stock exchange, engaged in compressive development of residential and commercial real estate. It [operates](#) in Beijing, Tianjin, Shanghai, Chongqing, and Hangzhou. Kaisa is also a large-scale integrated property developer in China with its headquarters in Shenzhen. Sunac bought these shares against its rival company to appease investor worries over China's homebuilders. These concerns derive from slumping sales in the [housing market](#) where large inventories of homes remain unsold, dramatically slowing overall economic growth. Kaisa has been experiencing financial trouble since the beginning of the year. Their struggles stem from authorities in Shenzhen blocking sales of apartments at its property projects for undisclosed reasons. Consequently, it has missed over [\\$23 million](#) in interest payments. These blocks and the missed payments led Kaisa's creditors to ask for early repayments. Over 15 financial companies have asked the courts to [freeze](#) the firm's assets, making it even more difficult for it to initiate a comeback. As a result of these problems, Kaisa's founder and chairman resigned.

Sunac's participation in the company may be enough to make a difference. It claims that it has the resources to pay off some of Kaisa's debt. Analysts have estimated that Sunac had around \$3.67 billion cash on hand at the end of June and sold over \$400 million worth of debt to foreign investors in December. Though Sunac can help pay off some of the debt to get Kaisa on its feet, the government still has to provide assurances to investors and bondholders that Kaisa's projects will not be blocked again, as it will only cause further chaos to the housing market.

It is still uncertain how Sunac's influence will affect the company, but it may be enough to keep Kaisa out of bankruptcy.