

Insights



John Han Discusses Recovery for Evergrande's Offshore Noteholders with Financial Times

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Chinese property giant Evergrande Group's possible default, with its US \$300 billion worth of liabilities and missed interest payment on one of its US-dollar bonds on September 23, has shaken global financial markets. Kobre & Kim's John Han, who focuses on the monetization of distressed debt in Greater China, diagnosed the prospects for offshore investors when he spoke with the *Financial Times*.

Like many Chinese developers, Evergrande had taken on vast amounts of debt to finance its construction projects. Low bond yields in the West and a belief that the Chinese government would not allow the company's collapse have fueled lending by offshore bondholders and noteholders, but Evergrande's impending default will likely leave them out in the cold.

"The likelihood that Evergrande will prioritize the offshore noteholders is diminishing quickly and is extraordinarily low," Mr. Han determined. "The Chinese government is going to prioritize retail investors and homebuyers and domestic banks over Western distressed debt funds."

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