

Insights



John Han and Su Mien Tee Analyze China Evergrande Group's "Ominous and Rapidly Unfolding" Credit Outlook in *Reorg*

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As Chinese real estate giant China Evergrande Group's credit situation continues to deteriorate, Kobre & Kim's John Han and Su Mien Tee, Hong Kong-based lawyers who focus on claim monetization in distressed industries, spoke with *Reorg* about Evergrande's "ominous and rapidly unfolding" outlook.

Evergrande's financial standing has already worsened over the past six months, and Mr. Han and Ms. Tee point out that "there are two possible situations in which the CEG and Scenery Notes may already have mature events of default." The first "most troubling possibility" involves cross-defaults by restricted subsidiaries, whereas the second more subtle possibility involves covenant defaults, such as failure to maintain regulatory approvals in the BVI.

Mr. Han and Ms. Tee concluded, "If these remain uncured, noteholders through the trustee will be entitled to accelerate, which could cause a cascade of cross-defaults in both onshore and offshore debts and potentially bring the entire house down."

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