

CMBI Credit Commentary - MOLAND

MOLAND: Quick take on consent solicitation

Modern Land announced the consent solicitation, the keys are:

Redemption:	35% of principal at par, i.e. USD87.5mn in principal amount
Maturity extension:	3 months, from 25 Oct'21 to 25 Jan'22, for the remaining 65% of the principal amount
Coupon:	Payment on 25 Oct'21 to be honoured and additional coupon for maturity extension will be accrued and paid on 25 Jan'22 based on the original coupon rate of 12.85%.
Requisite consent:	90% in principal amount
Consent fee:	0.1
Expiration date:	20 Oct'21

At the same time, Modern Land announced that Zhang Lei, the chairman, and Zhang Peng, the president, will provide shareholders' loans of RMB800mn. Both Mr. Zhang own an aggregate stake of 57.46% in First Service (2107 HK), a property management company, which is on a trading halt. We believe that they are exploring options to "monetize" their stakes in First Service and will make use of these proceeds to provide financial support to Modern Land. We notice that Modern Land only seeks the maturity extension of the USD bonds (o/s USD250mn) due Oct'21 to Jan'22, but not the USD bonds (o/s USD200mn) due Feb'22. Modern Land appears to be confident that the "monetization" of First Service could be completed in the coming weeks, and the liquidity issue is only temporary and will be resolved by next Jan.

MOLAND'21 fell c30pts last Fri amid the talks of consent solicitation and was about 5pts higher to 51/56 this morning. While we expect negative rating actions on the back of the consent solicitation, we believe that much of the downside to MOLAND'21 has already priced in.

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