

## CMBI Credit Commentary – ZHPRHK

### ZHPRHK: Perps be traded flat to other ZHPRHK'22s should the consent goes through

#### ■ Sweetened consent terms make the perps essentially straight bonds

Zhenro sweetened the terms for the consent of the perps. The major changes include the removal of the optional deferral and mandatory redemption at 102 on 6 Mar'23. As per Zhenro, failure to redeem the perps then would be an event of default. If Zhenro successfully secured the requisite consent, the perps will bear essentially the same terms as the proposed exchange terms of ZHPRHK'22s. Hence, we expect the ZHPRHK perps (quote at 10) to be traded flat to ZHPRHK'22s (quoted at mid-teens). As we discussed before, to successfully resolve the event of default resulting from the perps redemption is a critical step for any asset liability management of Zhenro. The sweetened consent terms for the perps, in our view, increases the chance of securing the requisite consent for the perps and the minimum acceptance level for the exchange of ZHPRHK'22s.

	Original	Revised
Consent & step-up fee	1.75pts	1.75pts
Approval threshold	75%	75%
Expiration date	11 Mar'22	11 Mar'22
EGM date	14 Mar'22	28 Mar'22
Mandatory redemption	No	Yes, 102 on 6 Mar'23
Coupon deferral	Allowed	Not allowed
Coupon	10.25%	8%

#### ■ Redemption price increases to 102 for the proposed exchange of ZHPRHK'22s

Zhenro also improves the terms for the proposed exchange and consent solicitation for ZHPRHK'22s by increasing the redemption prices to 102 from 100. At the same time, the early consent deadline will also be extended to 11 Mar'22 from 4 Mar'22. The early consent deadline for longer-dated ZHPRHKs remains to be on today (4 Mar'22).

	Original	Revised
Consent fee	1pt for early consent and 0.5pt for consent	1pt for early consent and 0.5pt for consent
Early consent deadline	4 Mar'22	11 Mar'22
Consent deadline	11 Mar'22	11 Mar'22
Approval threshold	0.5	0.5
Coupon	0.08	0.08
Redemption at maturity	100	102

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■ **Further asset liability management possible but the current offer appears to be the best available option**

We notice that the sweetened terms do not increase any upfront cash payments. This probably revealed the very tight liquidity of the company. We believe that Zhenro's liquidity can notably improve only if there are material progresses in asset disposals, introduction of investors (COC threshold lower 30% from 45%) or more policy relaxation. If these do not happen, more asset liability management exercises are possible. That said, the current consent and exchange offer can buy more time for Zhenro to improve its liquidity, and is the best available option for bondholders, in our view.

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