

CMBI Credit Commentary

MOLAND - Proposed debt restructuring is a done deal

RSA signed by over 75% by Mar'22....

We have numerous inquiries on Modern Land China over the past few days on the progress of Modern Land's proposed debt restructuring. Indeed, [over 75% of holders in principal amount of its USD bonds had entered into the RSA](#) by the RSA fee deadline on 24 Mar'22. Recalled that the approval threshold of the scheme is 75%, i.e. approval from bondholders had already been secured.

.... Scheme meeting and court sanction are only procedural

On 1 Jun'22, [Modern Land announced that the scheme meeting for the proposed debt restructuring plan on 29 Mar'22](#). As discussed before, with over 75% of holders in principal amount already had entered into RSA, the scheme is more of a formality to approve the proposed debt restructuring plan. The next milestone will be the Cayman court sanction hearing scheduled on 5 Jul'22. As Modern Land USD bonds are governed by NY law, the proposed restructuring plan is also filed with the US Bankruptcy Court. We believe that the Cayman and NY courts will "rubber-stamp" on the plan which is supported by an "overwhelming" majority of bondholders. Hence, we consider the scheme meeting and court sanction hearing are more of procedural. The long-stop of the plan is on 31 Jul'22.

Estimated recovery rates for existing bonds are 57-83

According to the proposed debt restructuring plan announced on 25 Feb'22, holders of every USD100 of its existing bonds will get USD1.7 upfront cash repayment and remaining USD98.3 in 5 tranches of new notes/bonds with maturities of 1-5 year(s). In addition, holders get RSA fee of USD0.2 they consent to the restructuring plan on or before 24 Mar'22. The approval threshold for the restructuring will be 75%. We estimate that the recovery rates for its existing bonds to be 57-83%, assuming discount rates of 15-25%. The recovery rate estimates include RSA fee but excluding the unpaid and accrual interests up to the expected restructuring effective date on 31 May'22. Please read [our comments on the plan and recovery estimates on 28 Feb'22 for more details](#).

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