

## CMBI Credit Commentary – CSCHCN

### China South City: Completion of SZCDG's equity injection

China South City (CSC) announced that the completion of new shares issued to SEZ Construction and Development Investment Holding Ltd. (SEZCDIH) on 16 May'22. Recalled that SEZCDIH is a wholly owned subsidiary of SZCDG, a SZ LGFV which in turn is wholly-owned by Shenzhen SASAC. Upon the completion of new shares issue, SZCDG becomes the largest shareholder of CSC and owns 29.28% of the enlarged capital of CSC. CSC has received the subscription consideration of HKD1.9bn (cUSD240mn) from SEZCDIH. The cash proceeds from stakes sale has strengthened CSC's financial flexibility. We also expect the ownership of SZCDG to resume its access to funding channels, especially the drawdown of onshore operating loans and onshore bond markets. CSCHCN'22s and 23s are trading at mid-high 90, offering YTM of high teens to low-20. We expect the bonds to be par-pull, and consider these good low-beta and carry plays. We maintain Buy on CSCHCNs.

Further to our comments in the daily on 19 and 4 Apr'22, we understand that the regulatory approvals required for China South City (CSC)'s stakes sale to SZCDG has been secured. The stakes sale to SZCDG experienced a short delay from the original target completion date of end of Apr'22 as documentary procedures are affected by the recent pandemic outbreak and lock-down. That said, this had been proceeded smoothly, in our view, taking cues from the sales of logistic asset sales (RMB1.7bn) to Shenzhen International Holdings in early Apr'22, and 2 strategic cooperation agreements with SZ SOE/LGFV signed in Feb'22.

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