

**Lianhe Global downgrades Jiangsu Zhongnan Construction Group Co., Ltd.’s global scale Long-term Issuer Credit Rating to ‘CCC+’ from ‘B’**

HONG KONG, 25 May 2022 – Lianhe Ratings Global Limited (“Lianhe Global”), an international credit rating company, has downgraded the global scale Long-term Issuer Credit Rating of Jiangsu Zhongnan Construction Group Co., Ltd. (000961.SZ) (“Zhongnan” or “the company”) to ‘CCC+’ from ‘B’ based on the proposed exchange offer. Lianhe Global has removed the Rating Watch Negative (RWN) on the company’s issuer credit rating.

**Key Rating Rationales**

The Issuer Rating downgrade to ‘CCC+’ from ‘B’ reflects Zhongnan’s heightened liquidity and refinancing risks following its proposed exchange offer and consent solicitation to its bondholders. On 24 May 2022, Zhongnan announced an exchange offer to exchange its two USD senior notes due in June 2022 into new notes due 2023, and a consent solicitation for its USD senior notes due in April 2024. The company said it may not be able to fully repay the outstanding notes due in June 2022 and may consider alternative debt restructuring exercises if the exchange offer is not successfully completed. The proposed exchange offer reflects Zhongnan’s heightened liquidity stress amid the challenging market conditions and deteriorating access to refinancing channels, as the company is likely to face weakened liquidity and difficulty in raising new funds for refinancing in the next 12 months.

**Rating Sensitivities**

We will consider downgrading Zhongnan’s rating to ‘SD’ if the exchange offer is completed. We would consider downgrading Zhongnan’s rating if it were to fail to meet its near and medium term financial obligations when they become due.

We will reassess Zhongnan’s credit and liquidity profiles after the completion of the exchange offer or if the offer is not completed to determine its ratings.

**About Lianhe Global**

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local government financing vehicles, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

**Rating Methodology**

The principal methodology used in this Zhongnan’s rating is Lianhe Global’s Chinese Property Developer Rating Criteria published on 31 December 2021, which can be found at the website [www.lhratingsglobal.com](http://www.lhratingsglobal.com).

**Note:** The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party.

### **Contact Information**

Primary Analyst

Toni Ho

Director

(852) 3462 9578

[toni.ho@lhratingsglobal.com](mailto:toni.ho@lhratingsglobal.com)

Committee Chairperson

Alex Kung

Senior Director

(852) 3462 9577

[alex.kung@lhratingsglobal.com](mailto:alex.kung@lhratingsglobal.com)

Business Development Contact

Joyce Chi

Managing Director

(852) 3462 9569

[joyce.chi@lhratingsglobal.com](mailto:joyce.chi@lhratingsglobal.com)

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