

## Zhukuan Group Holding Co., Ltd. of Zhuhai City

**Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer Credit Rating of Zhukuan Group Holding Co., Ltd. of Zhuhai City (“Zhukuan Group” or “the company”); Issuer Rating Outlook Revised to Positive**

### Summary

The Issuer Rating reflects Zhukuan Group’s important strategic position as the window liaison state-owned enterprise stationed in Macau by the People’s Government of Zhuhai (“Zhuhai government”) and the sole enterprise with dual headquarters in Zhuhai City, Guangdong Province (“Zhuhai”) and Macau. Moreover, Zhukuan Group has a long history of conducting business in both Zhuhai and Macau, which has advantages in terms of obtaining external government support and overall business development. However, the rating is constrained by Zhukuan Group’s limited market position and fluctuating profit margins.

The Positive Outlook reflects our expectation that Zhukuan Group will strengthen its strategic role in Zhuhai and Macao following the administrative transfer of a 90.21% equity stake in Zhuhai Da Heng Qin Company Limited (“DHQ”) by the Zhuhai State-owned Assets Supervision and Administration Commission (“Zhuhai SASAC”). This consolidation is anticipated to significantly expand Zhukuan Group’s asset base and bolster its influence, enhancing its capacity to foster deeper economic cooperation between Zhuhai and Macao, particularly in advancing key initiatives such as the Hengqin Guangdong-Macao Deep Cooperation Zone. Furthermore, we expect the Zhuhai government to continue providing ongoing operational and financial support to ensure the company’s stability and reinforce its pivotal role in regional development.

### Rating Rationale

**The Sole Window Liaison State-Owned Enterprise Stationed in Macau by the Zhuhai Government:** Zhukuan Group, as a state-owned enterprise with dual headquarters in Zhuhai and Macau, is primarily owned by Zhuhai SASAC. Serving as the exclusive window liaison company representing Zhuhai in Macau, Zhukuan Group holds a unique and strategically vital position in fostering economic ties between these two cities. As the economic collaboration between Zhuhai and Macau continues to deepen, Zhukuan Group is poised to receive increasingly support for the expansion of its cross-border business. The company has great advantages in terms of government support and overall business development.

**Strengthened Regional Importance after the Strategic Merger of DHQ:** The strategic administrative transfer of DHQ to Zhukuan Group has elevated Zhukuan Group’s role as a key regional player in the Greater Bay Area initiative. By integrating Dahengqin’s resources and leveraging Zhukuan’s cross-border expertise and unique dual-headquartered presence in Zhuhai and Macao, the merger enhances the group’s capacity to drive development in the Hengqin Guangdong-Macao Deep Cooperation Zone. This consolidation not only amplifies Zhukuan’s asset scale and strategic influence but also strengthens its ability to facilitate deeper economic cooperation between Zhuhai and Macao, positioning it as a critical entity for state-capital investment and regional synergy within the broader national policy framework.

### Summary

Issuer Rating	A-
Outlook	Positive
Location	China
Industry	Real Estate and Merchandise Trade
Date	22 September 2025

### Analysts

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### Applicable Criteria

General Corporate Rating Criteria (31 December 2021)  
General Corporate Rating Criteria:  
Addendum (30 August 2022)

**Improved Revenue Diversification with Expanding Cross-border Business:** Zhukuan Group is mainly engaged in property development, merchandising sales and other cross-border business (mainly including cross-border labor service, engineering and financing service). The increasing contributions from trading and hotel services led the diversification of Zhukuan Group's revenue mix, with the contribution from property development and labor services decreasing from 77.4% in 2022 to 40.2% in 2024. Benefiting from the supportive policies of the Zhuhai government, the company is actively pursuing cross-border business expansion, particularly through the development of the cross-border human resources service and trading platform. Additionally, the company has established cross-border finance lease and fund investment business to further utilize its regional advantages and broaden the capital flow channels between Zhuhai and Macau.

**Weakened Profitability Amid Real Estate Market Downturn:** Zhukuan Group's profitability faced significant pressure in 2024, primarily due to the ongoing downturn in China's real estate sector. The company's gross margin sharply declined from 27.6% in 2023 to 8.9% in 2024, reflecting substantially weaker property sales pricing and elevated inventory write-downs. Similarly, the EBITDA margin contracted from 17.1% to 5.0%, underscoring reduced operational efficiency and higher fixed cost absorption amid lower revenue recognition. This deterioration aligns with broader industry trends, where sluggish demand and tightened financing conditions have compressed margins across the sector. Its profitability is likely to remain constrained by the slow recovery of the real estate market in the short to medium term. Having said that, Zhukuan Group's focus on stabilizing operations with government support, coupled with a gradual shift toward non-property segments such as urban operation and industrial services, may gradually improve margin resilience.

**Increasing Leverage but Sufficient Liquidity:** Zhukuan Group's total debt increased to RMB4.3 billion at end-2024 from RMB1.8 billion at end-2022, due to the expansion of its business scale. Its debt to capitalization ratio also increased to 49.4% at end-2024 from 32.5% at end-2022. The short-term debt contributed 40.6% of its total debt at end-2024, representing an upward trend. Having said that, the increase in the company's debt primarily came from an increase in notes payable, which corresponds with the expansion of the company's merchandise trade operations. As the company grows and generates more revenue through its merchandise trade, the increase in debt is manageable and does not pose significant financial risks. At end-2024, Zhukuan Group had RMB1.3 billion of cash and unutilized credit line of RMB1.7 billion to fully cover its short-term debt of RMB1.7 billion.

**Strong External Support from the Zhuhai Government:** Zhuhai is a prefecture city of Guangdong Province and it is one of the five Independent Planning Status cities under the National Social and Economic Development Plan. The Zhuhai government has 90% ownership of Zhukuan Group via the Zhuhai SASAC, while the remaining 10% is held by the Guangdong Provincial Finance Department ("Guangdong FB"). The Zhuhai government has the final decision-making authority and supervises the company, including management appointment, decision on its strategic development and investment plan and supervision of its major funding decisions. As the exclusive window liaison company representing Zhuhai in Macau, Zhukuan Group undertakes certain government functions in these two cities, including infrastructure-related projects construction, labor service supply and cross-border capital asset investment and operation. Zhukuan Group plays an important role of accelerating in-depth cooperation between Zhuhai and Macau. It has a proven track record of receiving supports from the local government, including operation subsidies, equity transfer, tax breaks, policy support and guidance from the government.

### Rating Sensitivities

We would consider downgrading Zhukuan Group's rating if (1) it were to increase its financial leverage as measured by its EBITDA interest coverage to consistently below 5x or debt over EBITDA leverage consistently to above 5.5x, or (2) it were to suffer a significant deterioration in operating performance in terms of revenue, profit margin or cash flow generation, or its liquidity profile is worsened, or (3) there is a decrease in support from or function for the local government.

We would consider upgrading Zhukuan Group's rating if (1) it were to significantly improve its operating performance, and/or (2) it were to improve its financial leverage and liquidity consistently, and/or (3) there is an increase in support from or function for the local government.

### Company Profile

Zhukuan Group was first established in Macau in 1980 under the approval of the Zhuhai government. In accordance with the requirements of the Guangdong Provincial Government, Zhuhai SASAC transferred 10% of the company's equity to Guangdong FB in December 2020.

At end-June 2025, the company's registered capital and paid-in capital were RMB150 million. Zhuhai SASAC holds 90.00% of its equity interest, making it the actual controller of the company.

### Key Financial Metrics

2022A-2024A	Debt/EBITDA	EBITDA/Interest	Debt/Capitalization	Quick Ratio
Weighted Average	23.74x	2.29x	46.95%	0.44x

Source: Zhukuan Group's 2022-2024 annual reports, Lianhe Global's adjustments

## Appendix I: Zhukuan Group's Rating Factors

Rating Factors	Weight	Initial Rating
<b>I. Market Demand Analysis</b>	<b>15.0%</b>	<b>bbb-</b>
<b>II. Business Analysis<sup>1</sup></b>	<b>45.0%</b>	<b>bbb-</b>
<b>III. Financial Analysis<sup>2</sup></b>	<b>40.0%</b>	<b>Bbb-</b>
<b>IV. Base Score</b>	<b>100.0%</b>	<b>bbb-</b>
<b>V. Industry Risk</b>		<b>bbb</b>
<b>VI. Qualifiers</b>		
Liquidity		Neutral
Corporate Governance		Neutral
Debt Structure and Financial Policy		Neutral
Idiosyncratic Analysis		Neutral
<b>Stand-Alone Creditworthiness</b>		<b>bbb-</b>
<b>VII. External Support</b>		
Government Support		Strong
<b>Issuer Credit Rating</b>		<b>A-</b>
<i>Source: Lianhe Global</i>		

<sup>1</sup> Business Analysis contains sub-factors of market position, diversification, competitive position, operating efficiency and profitability.

<sup>2</sup> Financial Analysis contains sub-factors of debt/EBITDA, EBITDA interest coverage, debt/capitalization and quick ratio.

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