

## **CCXAP affirms Taizhou Huaxin Pharmaceutical Investment Co., Ltd.'s long-term credit rating at A<sub>g-</sub>, with stable outlook.**

Hong Kong, 23 June 2026 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (“Huaxin” or the “Company”) at A<sub>g-</sub>, with stable outlook.

The A<sub>g-</sub> long-term credit rating of Huaxin reflects Taizhou Municipal Government’s (1) very strong capacity to provide support; and (2) high willingness to provide support based on our assessment of the Company’s characteristics. Our assessment of Taizhou Municipal Government’s capacity to provide support reflects its good industrial base and ongoing economic growth. Taizhou Medical High-tech Zone (“TMZ”) is a strategic region leading the development of pharmaceutical industry in Jiangsu Province, with good economic and fiscal strength and sustainable industrial development.

The rating also reflects the local government’s willingness to provide support, which is based on the Company’s (1) important policy role in Taizhou Medical Zone and Taizhou City, especially in the development of health industry; and (2) good track record of receiving government support. However, the rating is constrained by its (1) moderate exposure to commercial activities; (2) high debt leverage and weak asset liquidity; and (3) large exposure to external guarantees with contingent liability risks.

### **Corporate Profile**

Founded in 2005, Huaxin is one of the most important local infrastructure investment and financing companies (“LIIFCs”) in Taizhou Medical Zone (Gaogang District) in Jiangsu Province, undertaking infrastructure, resettlement housing construction, and land development in the core area of the original Taizhou Pharmaceutical High-tech Zone. The Company is also engaged in sales of pharmaceutical and industrial products, sales of properties, and property leasing in Taizhou Medical Zone, which is crucial to the investment attraction and industrial development in the region. As of 31 March 2026, Taizhou Guotou Investment Group Co., Ltd. (“TZGI”) owned 99.61% shares of Huaxin, and CDB Development Fund Co., Ltd. held the remaining 0.39%. Taizhou State-owned Assets Supervision and Administration Commission (“Taizhou SASAC”) is the ultimate controller of the Company.

### **Rating Rationale**

#### **Credit Strengths**

**Important policy role in Taizhou Medical Zone and Taizhou City.** Huaxin is one of the most important LIIFCs in Taizhou Medical Zone by assets and acts as the important policy role in developing the pharmaceutical industry of Taizhou City. Huaxin is responsible for the major construction projects in the core area of the original Taizhou Pharmaceutical High-tech Zone with limited competition, including primary land development, infrastructure construction and resettlement housing construction. Huaxin is also in a leading position in the sales and

distribution of pharmaceutical products, as well as the provision of land, leasing properties and service platforms in Taizhou Medical Zone.

**Good track record of receiving government support.** Huaxin has a continuous track record of receiving support from the local government in terms of capital injections, financial subsidies, and project repayments. Given the important position of Huaxin and its close relationship with the local government, we expect the Company will continue to receive strong support from the local government over the next 12 to 18 months.

### Credit Challenges

**Moderate exposure to commercial activities.** To promote investment attraction and industry development, Huaxin conducts diversified commercial activities to enhance carrier construction and supporting facilities, covering property development, property leasing, sales and distribution of pharmaceutical products and sales of industrial products. Its exposure to commercial businesses was moderate, with commercial assets accounting for approximately 25.0% of its total assets.

**Relatively high short-term debt pressure and weak asset liquidity.** In 2025, Huaxin's interest-bearing debt decreased because some of the debt was taken over by the parent company, TZGI, and some subsidiaries were transferred to TZGI. As of 31 March 2026, the Company's total debt decreased to RMB45.8 billion, and the total capitalization rate dropped to 59.7%, but still at a relatively high level. In addition, Huaxin is still facing certain short-term debt pressure. Huaxin's asset liquidity remains relatively weak, as its assets mainly consist of inventories, receivables, and investment properties, all of which have low liquidity. This could undermine its financial flexibility.

**Large exposure to external guarantees, with medium contingent liability risks.** Huaxin's credit profile is constrained by its large external guarantees. Since there are no counter-guarantee measures, when a credit event occurs, the Company may face certain contingent liability risks. Nevertheless, all external guarantees are provided to state-owned enterprises in Taizhou City, and we assess the credit risks as relatively low considering the government support when needed.

### Rating Outlook

The stable outlook on Huaxin's rating reflects our expectation that the local government's capacity to provide support will remain stable, and that the Company will maintain its vital position in the Taizhou Medical Zone and continue to receive ongoing government supports over the next 12-18 months.

### What could upgrade the rating?

The rating could be upgraded if (1) the local government's capacity to provide support strengthens; or (2) the Company's characteristics change in a way that strengthens the local government's willingness to provide support, such as an expanded policy role, reduced exposure to commercial activities, or improved asset liquidity and debt management.



### **What could downgrade the rating?**

The rating could be downgraded if (1) the local government's capacity to provide support weakens; or (2) the Company's characteristics change in a way that weakens the local government's willingness to provide support, such as a reduction in the importance of its policy role, a significant reduction in government payments, or materially deteriorated debt management.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(July 2022\)](#).

### **Regulatory Disclosures**

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