

## **CCXAP assigns first-time long-term credit rating of BBB<sub>g</sub>- to Taizhou Huaxin Pharmaceutical Investment Co., Ltd., with stable outlook**

Hong Kong, 21 October 2021 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has assigned first-time long-term credit rating of BBB<sub>g</sub>- to Taizhou Huaxin Pharmaceutical Investment Co., Ltd., with stable outlook.

### **Corporate Profile**

Founded in 2005, Huaxin is the most important entity for infrastructure construction and state-owned asset operations in the Taizhou Medical Zone in Jiangsu Province. The Company mainly engages in the sales of pharmaceutical and industrial products, land transfer, construction management, leasing, and sales of real properties in Taizhou Medical Zone. As of 31 March 2021, the Taizhou Municipal People’s Government held 99.4% of the Company’s shares, and CDB Development Fund Co., Ltd. held the remaining 0.6%. The Taizhou Municipal People’s Government is the ultimate controlling shareholder of the Company.

### **Rating Rationale**

The BBB<sub>g</sub>- long-term credit rating of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (“Huaxin” or the “Company”) is underpinned by the Company’s (1) competitive advantage in primary land development and construction management businesses of the Taizhou Medical High-tech Industrial Development Zone (“Taizhou Medical Zone”); and (2) leading position in the sales and distribution of pharmaceutical products.

However, the rating is constrained by the Company’s (1) large capital expenditure pressure; (2) high debt leverage, with contingent liability risks; and (3) weak liquidity profile.

We believe Huaxin has a high likelihood of receiving extraordinary support from Taizhou Municipal Government in times of need. Our expectation is based on the Company’s (1) important role in the Taizhou Medical Zone; (2) close relationship with the local government; and (3) good track record of receiving support from the local government.

### **Rating Outlook**

The stable outlook on Huaxin’s rating reflects our expectation that the Company will maintain its vital position in the Taizhou Medical Zone. We also expect that the Company will continue to receive ongoing government support.

#### **What could upgrade the rating?**

The rating could be upgraded if (1) the economic and fiscal strengths of Taizhou Medical Zone and Taizhou City noticeably improves; (2) the likelihood of government support provided to Huaxin increases; and (3) the Company’s stand-alone credit profile improves, such as improvements on business sustainability and asset quality.

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



The rating could be downgraded if (1) the economic and fiscal strengths of Taizhou Medical Zone and Taizhou City significantly deteriorates; (2) the likelihood of government support provided to Huaxin declines; or (3) the Company's stand-alone credit profile weakens, such as material deterioration in its business and financial profile.

### **Rating Methodology**

The methodology used in this rating is the Rating Methodology for [China's Local Infrastructure Investment and Financing Companies \(May 2020\)](#).

### **Regulatory Disclosures**

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