

Credit Opinion

23 June 2026

Ratings	
Category	Corporate
Domicile	China
Rating Type	Solicited Rating
Long-Term Credit Rating	A _g -
Outlook	Stable

Analyst Contacts

Amy Chen +852-2860 7127

Credit Analyst

amy_chen@ccxap.com

Eddie Li +852-2860 7128

Credit Analyst

eddie_li@ccxap.com

Elle Hu +852-2860 7120

Director of Credit Ratings

elle_hu@ccxap.com

**The first name above is the lead analyst for this rating and the last name above is the person primarily responsible for approving this rating.*

Client Services

Hong Kong +852-2860 7111

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Surveillance credit rating report

CCXAP affirms Taizhou Huaxin Pharmaceutical Investment Co., Ltd.'s long-term credit rating at A_g-, with stable outlook.

Summary

The A_g- long-term credit rating of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. ("Huaxin" or the "Company") 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.

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.

Rating Drivers

- Important policy role in Taizhou Medical Zone and Taizhou City
- Moderate exposure to commercial activities
- Good track record of receiving government supports
- High debt leverage and weak asset liquidity
- Access to funding channels with declining financing costs
- Large exposure to external guarantees with contingent liability risks

Rating Sensitivities

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.

Key Indicators

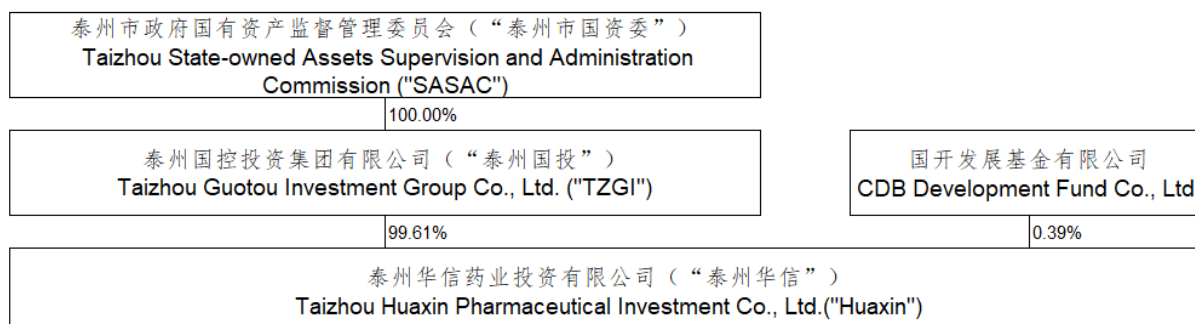
	2023FY	2024FY	2025FY	2026Q1
Total Assets (RMB billion)	94.7	97.2	96.6	97.1
Total Equity (RMB billion)	31.1	32.4	30.9	30.9
Total Revenue (RMB billion)	3.7	3.5	3.2	0.6
Total Debt/Total Capital (%)	64.5	63.2	60.5	59.7

All ratios and figures are calculated using CCXAP's adjustments.

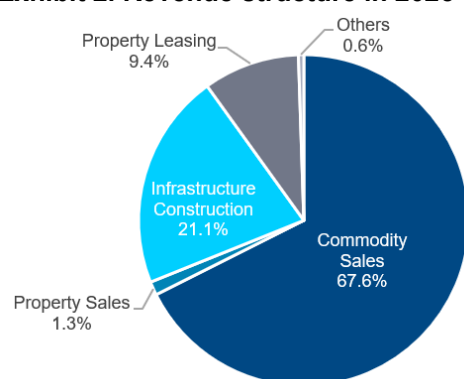
Source: Company data, CCXAP research

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.

Exhibit 1. Shareholding chart as of 31 March 2026

Source: Company information, CCXAP research

Exhibit 2. Revenue structure in 2025

Source: Company information, CCXAP research

Rating Considerations**Government's Capacity to Provide Support**

We believe the Taizhou Municipal Government has a very strong capacity to provide support given its good industrial base and ongoing economic growth.

Jiangsu Province is one of the leading developed provinces in China. It is home to many of the world's leading electronic equipment, chemical, and textile enterprises and is the second largest province in China by gross regional product ("GRP"), after Guangdong Province. In 2025, Jiangsu Province recorded a GRP of RMB14.2 trillion, with a year-over-year ("YoY") increase of 5.3%. The per capita GRP also ranked top among all provinces in China for years.

Taizhou City is a prefecture-level city located in the central region of Jiangsu Province, with pharmaceuticals, electricity, chemicals, and shipbuilding as its pillar industries. Over the past years, Taizhou City has achieved sustained economic growth. Taizhou City's preliminary GRP increased to RMB725.5 billion in 2025, representing a YoY growth of 5.3%. Meanwhile, Taizhou Municipal Government's general budgetary revenue increased from RMB46.2 billion in 2024 to RMB47.5 billion in 2025. Taizhou City also has a good fiscal balance, with a fiscal balance ratio (general budgetary revenue to general budgetary expenditure) averaging 66.2% for the past three years. As at end-2025, the outstanding debt of Taizhou Municipal Government increased to RMB155.9 billion, accounting for 21.5% of the GRP.

Exhibit 3. Key economic and fiscal indicators of Taizhou City

	2023FY	2024FY	2025FY
GRP (RMB billion)	673.2	702.1	725.5
GRP Growth (%)	6.8	5.1	5.3
General Budgetary Revenue (RMB billion)	44.0	46.2	47.5
General Budgetary Expenditure (RMB billion)	69.7	69.6	68.6
Local Government Debt (RMB billion)	107.1	131.6	155.9

Source: Taizhou Municipal Government, CCXAP research

TMZ is the first national-level high-tech zone in the pharmaceutical field in China approved in 2009 and is a strategic region leading the development of pharmaceutical industry in Jiangsu Province. With ongoing development, it is home to more than 1,300 bio-pharmaceutical enterprises, with top companies including AstraZeneca (Taizhou), Boehringer Ingelheim, and Nestle Health Science (China) Co Ltd. According to China National Center for Biotechnology Development, Taizhou Medical High-tech Zone ranked 10th in the 2024 National Biomedicine Industrial Park Comprehensive Competitiveness Ranking, indicating the strong competitiveness and good development prospect Taizhou Medical High-tech Zone, especially in pharmaceutical industry.

Gaogang District is the main riverside urban area of Taizhou City. In June 2021, Taizhou Medical High-tech Zone and Gaogang District were integrated to optimize Taizhou City's pharmaceutical industry and create a future China Medical City. After the integration, TMZ has a relatively large planned area, about 402.9 square kilometers, with five functional zones covering biomedicine, new chemical materials, electronic information, high-end equipment manufacturing and port logistics. In the first three quarters of 2025, TMZ had 92 new projects exceeding RMB100.0 million under construction and 78 newly completed projects, including 6 provincial-level major projects. In addition, the economic and fiscal strength of TMZ has been steadily enhanced. Its GRP amounted to RMB115.2 billion in 2025, representing a YoY growth of 4.8%, and its general budget revenue increased from RMB10.5 billion in 2024 to RMB10.6 billion in 2025, ranking 1st by general budget revenue among all districts and counties in Taizhou City. Taizhou Municipal Government has introduced a series of policies, in terms of investment promotion, and talent introduction, to support the development of TMZ. Established in 2000, the Binjiang Industrial Park is part of TMZ. As the only petrochemical industrial park in the Taizhou region, it is currently home to over 50 key industrial and supporting enterprises, including approximately 23 industrial enterprises above a specified scale, with a focus on the petrochemical and new materials industries. The Binjiang Industrial Park enjoys convenient transport links, with Taizhou Port located within the park itself.

Government's Willingness to Provide Support**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, which is conducive to attracting more high-quality pharmaceutical companies to settle in and build a famous pharmaceutical city. Through strong shareholder background and increasing capital strength, the Company is accordingly well positioned to be the primary developer of major projects within Taizhou Medical Zone. Given its important policy role and competitive

position, we believe that the Company is unlikely to be replaced by other state-owned enterprises in the foreseeable future.

Huaxin has undertaken a large number of public activities in Taizhou Medical Zone with clear business model and good business stability. Under the agency construction model, Huaxin is responsible for the financing and construction of the projects, and settles with the local government after the audit. Generally, the local government will pay the construction costs to the Company within 5 years after the project is completed, and pay the Company a construction management fee of 6.0% of the total project completion price. As of 31 March 2026, the Company had one affordable housing project under construction, with a total estimated investment of RMB2.9 billion and an uninvested amount of RMB102.0 million. Despite the limited project reserve, we expected its position in the local public activities to remain stable due to Taizhou Medical Zone's economic and industrial growth prospects.

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. Amid property market uncertainty and macroeconomic volatility, the Company adopts tempered investment in elevated-risk segments such as real estate development, while preserving comprehensive risk controls in the commodity sale business. Its exposure to commercial businesses was moderate, with commercial assets accounting for approximately 25.0% of its total assets.

Leveraging on geographical and resources advantages and strong shareholder background, Huaxin is one of the leading local pharmaceutical distribution companies in Taizhou Medical Zone. Huaxin's pharmaceutical sales business mainly refers to the sales and distribution of pharmaceutical products through the general agency and distribution model, and represents the Company's primary revenue stream. Huaxin's pharmaceutical marketing network has covered 26 provinces and cities in China, and has established cooperative relationships with more than 800 upstream companies, with strong distribution capabilities. In 2025, the Company's sales revenue from pharmaceutical business kept increasing to RMB1.7 billion in 2025 from RMB1.1 billion in 2024. The gross profit margin dropped to 7.6% in 2025 due to the profit squeezing trend in the industry. In addition, Huaxin also provides warehousing and logistics businesses for pharmaceutical enterprises in the zone. Health insurance reforms, medical price reductions, regulatory policies, and other factors have led to a narrowing of profit margins in the pharmaceutical distribution industry. At the same time, due to rising logistics costs, the Company's pharmaceutical distribution business faces a certain degree of profit volatility risk.

Huaxin conducts property development and sales business in Taizhou Medical Zone. As of 31 March 2026, the Company had two completed property projects under sale, namely Tianlu Lake and Shengya Garden, with a total investment of RMB4.6 billion and a destocking ratio of around 76.0%. Affected by the recent real estate market downturn, the Company's property projects were sold at a relatively slow rate and the gross profit margin of the property development and sales business declined. In recent years, the Company has slowed down its investment in real estate development and currently has only one property project under construction, with a total planned investment of RMB398.0 million.

Under the guidance of the local government, Huaxin leased self-owned investment properties, such as office buildings and factories, to enterprises located in Taizhou Medical Zone to attract investment. The high occupancy rate has contributed to the stability of the property leasing segment as a revenue supplement to the Company's total revenue. In 2025, the Company's property leasing business generated revenue of RMB297.8

million, with a gross profit margin of approximately 91.8%. As of 31 March 2026, Huaxin had a leasable property project under construction, with a total investment amount of RMB300.0 million.

Huaxin is also engaged in the trading of industrial products, such as light cycle oil, fuel oil, steel, silver, and other chemical materials. As the Company expanded its business scope with a diversified product range, this segment's revenue kept increasing in 2025, reaching RMB892.3 million. However, the trading business is highly concentrated on procurement and sales. In 2025, the procurement of industrial products from the top five suppliers accounted for 82.5% of total procurement, while sales to the top five customers accounted for 79.7% of total sales.

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, as indicated by its relatively high short-term debt percentage of 45.9% and cash-to-short-term ratio of 0.2x as of 31 March 2026. Due to the large amount of debt accumulated from the project construction and the lengthy process for repayment, the Company is expected to maintain a high level of debt leverage over the next 12 to 18 months.

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. As of 31 March 2026, inventories were mainly land development costs, receivables were uncollected payments from the local government or local state-owned enterprises, and investment properties were rental properties, and these accounted for 92.0% of total assets. Moreover, the Company has pledged a certain amount of its assets, mainly inventories and investment properties, for loans. The pledged assets accounted for about 20.9% of total assets on 31 March 2026.

Access to funding channels with declining financing costs

Huaxin has maintained good access to fundings as reflected by its sufficient stand-by liquidity and diversified funding channels. The Company maintains good relationships with diversified large domestic banks, such as Industrial and Commercial Bank of China and China CITIC Bank. As of 31 March 2026, the Company's total credit facilities amount was RMB27.5 billion, of which the unutilized portion was RMB8.7 billion, indicating sufficient liquidity buffer.

Furthermore, the Company is an active bond issuer in the debt capital markets. The Company issued different financial products in the onshore bond market, such as SCPs, corporate bonds, MTNs, and private placement notes. In 2025, the Company issued 10 tranches of domestic bonds to raise RMB3.7 billion, with decreasing coupon rates. Meanwhile, the Company has good presence in the offshore debt capital market. For instance, the Company issued two tranches of 3-year offshore bonds to raise USD60.0 million in January 2024 for refinancing purposes. Supported by the strong shareholder base and favorable refinancing conditions, Huaxin's financing costs continue to decline. However, the Company had a moderate exposure to non-standard financing products, mainly trusts and financial leasing, accounting for around 16.0% of the total debt as of 31 March 2026.

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. In 2025, Taizhou Municipal Government increased the Huaxin's

paid-in capital by RMB500.0 million in cash through TZGI. As one of the most important infrastructure entities in Taizhou Medical Zone, the Company has undertaken many key projects in the area and has continuously received project repayments from the local government. In addition, the Company continued to receive operating subsidies from the local government in 2025, amounting to RMB202.3 million. 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.

Large exposure to external guarantees, with medium contingent liability risks

Huaxin's credit profile is constrained by its large external guarantees. As of 31 March 2026, Huaxin's external guarantees amounted to RMB18.8 billion, accounting for 60.8% of its net assets. 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.

ESG Considerations

Huaxin bears environmental risks through its infrastructure projects. Such risks could be mitigated by conducting environmental studies and detailed planning before the commencement of projects, as well as close supervision during construction.

Huaxin is involved in real estate construction such as commercial property, factories, and R&D centers in Taizhou Medical Zone to help the government attract investment and develop the pharmaceutical industry. As a public service provider, the Company also faces social risks. Demographic changes, public awareness and social priorities shape the government's target for Huaxin, and may affect the government's capability to support the Company.

Huaxin's governance considerations are also material as the Company is subject to oversight and reporting requirements to the local government, reflecting its public policy role and status as a government-owned entity. Major events, including strategic development, financial budgeting, and investment, require approval from the Taizhou Municipal Government.

Rating Methodology

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

Copyright © 2026 China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”). All rights reserved.

No part of this publication may be reproduced, resold or redistributed in any form or by any means, without prior written permission of CCXAP.

A credit rating is the analytical result of current credit worthiness and forward-looking opinion on the credit risk of a rated entity or a debt issue. Credit ratings issued by CCXAP are opinions on the current and relative future credit risk of the rated entities or debt issues, but do not address any other risks, including but not limited to liquidity risk, market price risk, and interest rate risk.

Credit ratings, non-credit assessments, and other opinions included in CCXAP's publications are not recommendations for investors to buy, sell, or hold particular securities, nor measurements of market value of the rated entities or debt issues. While obtaining information from sources it believes to be reliable, CCXAP does not perform audit and undertakes no duty of independent verification or validation of the information it receives from the rated entities or third-party sources.

All information contained herein belongs to CCXAP and is subject to change without prior notice by CCXAP. CCXAP considers the information contained herein to be accurate and reliable. However, all information is provided on an "as is" and "as available" basis and CCXAP does not guarantee accuracy, adequacy, completeness, or timeliness of the information included in CCXAP's publications.

To the extent where legally permissible, CCXAP and its directors, officers, employees, agents and representatives disclaim liability to any person or entity (i) for any direct or compensatory losses or damages, including but not limited to by any negligence on the part of, and any contingency within or beyond the control of CCXAP or any of its directors, officers, employees, agents or representatives, arising from or in connection with the information contained herein or the use of or inability to use any such information; and (ii) for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if CCXAP or any of its directors, officers, employees, agents or representatives is advised in advance of the possibility of such losses or damages.

China Chengxin (Asia Pacific) Credit Ratings Company Limited

Address: Suites 1904-1909, 19/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Website: www.ccxap.com

Email: info@ccxap.com

Tel: +852-2860 7111

Fax: +852-2868 0656