

Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Lianhe Ratings Global Limited (“Lianhe Global”) has affirmed ‘A-’ global scale Long-term Issuer Credit Rating of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. (“THPI” or “the company”); Issuer Rating Outlook is Stable

Summary

The Issuer Credit Rating reflects a high possibility that the People’s Government of Taizhou City (“the Taizhou government”) would provide strong support to THPI if needed. This mainly considers the Taizhou Government’s indirect majority ownership of THPI, the strategic importance of THPI as an important local investment and development company responsible for promoting the development of health industry in Taizhou. The linkage between the Taizhou Government and THPI is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, the Taizhou Government may face significant negative impact on its reputation and financing activities if THPI encounters any operational and financial difficulties.

Taizhou is a prefecture-level city under the jurisdiction of Jiangsu Province. Taizhou realized a GDP of RMB702.1 billion in 2024, representing a year-over-year growth of 5.1% while the budgetary revenue grew by 3.0% to RMB45.3 billion.

The Stable Outlook reflects our expectation that THPI’s strategic importance would remain intact while the Taizhou Government will continue to ensure THPI’s stable operation.

Rating Rationale

Government’s Ownership and Supervision: THPI’s linkage with the local government is strong as the Taizhou government indirectly holds a 99.61% stake in THPI through Taizhou State-owned Investment Group Co., Ltd. (“TSI”), and is THPI’s ultimate shareholder. The rest of the 0.39% share is held by CDB Development Fund. The Taizhou government has strong control and supervision over THPI, including control of the board of directors, appointment of senior managements, and the supervision over its major operating and financing plans. In addition, the government will assign auditor to audit THPI’s financial and operational data periodically.

Strategic Importance and Strategic Alignment: THPI is TSI’s most important subsidiary specifically responsible for health industry development in Taizhou. The company actively develops and operates industrial parks, as well as provides warehousing and logistic services for pharmaceutical companies within Taizhou Medical High-tech Zone (“High-tech Zone”) to facilitate their operations. It also engages in the sales of pharmaceutical products. THPI’s strategic planning and development have been aligned with the local government’s economic and social policies.

Ongoing Government Support: THPI has been receiving strong support from the local government for its business operation, including capital injection, operational subsidies asset injections. In 2023, the TSI increased THPI’s registered capital by RMB3 billion in 2023, of which RMB1.5 billion and 1.0 billion has been paid in 2023 and 2024, respectively. The company also received ongoing operational subsidies of RMB218 million and 104 million in 2024 and the first six months of 2025, respectively. We believe THPI is likely to continue to receive strong government support in the future given its strategic importance in Taizhou.

Summary

Issuer Rating	A-
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	11 September 2025

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025)

THPI's Financial Matrix and Liquidity Position: THPI's total assets declined to RMB93.0 billion at end-June 2025 from RMB97.2 billion at end-2024, mainly due to the equity reallocation of its subsidiaries to TSI and other LIDCs under the local government's instruction. THPI's total debt declined to RMB50.0 billion from RMB56.1 billion accordingly. Its financial leverage, as measured by the debt to capitalization ratio, stayed at c. 60%-65% level in the past three years.

THPI's asset liquidity remained weak. Inventories and Investment properties accounted for approximately 79.7% of the company's total assets at end-June 2025. These assets typically take a long time to monetize owing to protracted development and a cash collection period.

The short-term debt servicing pressure of THPI was high. At end-June 2025, the company had an unrestricted cash balance of RMB2.5 billion, while its debt due within one year was RMB22.5 billion. THPI has access to various financing channels, including bank loans, bond issuances, and other non-traditional financing channels, to support its debt repayments and business operations. As of the end March 2025, the company had total credit line of RMB23.5 billion, of which RMB8.0 billion was unused.

Rating Sensitivities

We would consider downgrading THPI's rating if (1) there is perceived weakening in support from the Taizhou government, particularly due to its reduced strategic importance with diminished government functions, or (2) there is a significant reduction of the Taizhou government's ownership of THPI, or (3) there is a downgrade in our internal credit assessment on the Taizhou government.

We would consider upgrading THPI's rating if (1) there is strengthened support from the Taizhou government, or (2) an upgrade in our internal credit assessment on the Taizhou government.

Operating Environment

Economic Condition of Taizhou

Taizhou's GDP amount increased to RMB702.1 billion in 2024 from RMB673.2 billion in 2023. The economic growth rate of Taizhou slightly declined to 5.1% in 2024 from 6.8% in 2023. The economy of Taizhou was mainly boosted by the secondary and tertiary industries, which accounted for 47.3% and 47.6% of GDP in 2024, respectively. High-tech Zone expects its health industry's, a pillar of Taizhou's economy, scale to reach RMB220 billion by 2025.

Taizhou's Economic Condition			
(RMB billion)	2022	2023	2024
GDP	636.6	673.2	702.1
-Primary industry (%)	5.3	5.1	5.1
-Secondary industry (%)	49.0	48.4	47.3
-Tertiary industry (%)	45.7	46.5	47.6
GDP growth rate (%)	4.3	6.8	5.1
Fixed asset investment growth rate (%)	9.4	9.4	8.8
Population (million)	4.5	4.5	4.5

Source: Financial Bureau of Taizhou, statistical bureau of Taizhou and Lianhe Global's calculations

Fiscal Condition of Taizhou

The budgetary revenue of the Taizhou government increased to RMB45.3 billion in 2024 from RMB44.0 billion in 2023, while the contribution of tax revenue was down to 67.1% from 70.0% over the same period. The fiscal self-sufficiency rate of the Taizhou government was weak, with its budget deficit slightly narrowing from 58.6% in 2023 to 52.5% in 2024.

The outstanding debt of the Taizhou government kept growing in past few years. At end-2024, the Taizhou government's outstanding debt increased to RMB131.6 billion from RMB107.1 billion at end-2023, mainly due to the issuance of special debts. Its government debt ratio, as measured by the total government debt/aggregate revenue, was up to 123.3% at end-2024 from 95.3% at end-2023.

Taizhou's Fiscal Condition			
(RMB billion)	2022	2023	2024
Budgetary revenue	41.7	44.0	45.3
Budgetary revenue growth rate (%)	-0.9	5.5	3.0
Tax revenue	26.5	30.8	30.4
Tax revenue (% of budgetary revenue)	63.5	70.0	67.1
Government fund income	52.1	49.3	42.1
Transfer payment	18.5	17.9	17.0
Aggregate revenue	113.4	112.4	106.7
Budgetary expenditure	70.4	69.7	69.1
Budget balance ¹ (%)	-68.9	-58.6	-52.5
Government debt ratio (%)	88.3	95.3	123.3

¹ Budget balance = (1-budgetary expenditure / budgetary revenue) * 100%

Source: Financial Bureau of Taizhou, statistical bureau of Taizhou and Lianhe Global's calculations

Company Profile

THPI was established in December 2005 under approval from the Taizhou government with an initial registered capital of RMB100 million. After several rounds of capital injections, THPI's registered capital enlarged to RMB9.8 billion at end-June 2025. Taizhou government indirectly holds a 99.61% stake in THPI through TSI, and is THPI's ultimate shareholder.

THPI is the major LIDC responsible for promoting health industry development in Taizhou. The company focuses on the development and operation of industrial parks for pharmaceutical companies in High-tech Zone. It also provides warehousing and logistic services to facilitate their operations. In addition, THPI engages in sales of pharmaceutical products, infrastructure construction, property development and trading activities.

THPI realized revenue of RMB4.0 billion, 3.7 billion and 3.5 billion in 2022, 2023 and 2024, respectively. The gross margin of THPI has fluctuated between 20% and 26% over the same period.

Key Financial Data				
(RMB million)	2022	2023	2024	2025.6
Total Assets	89,156	94,727	97,197	92,974
Equity	29,113	31,054	32,427	29,708
Debt	53,686	57,138	56,098	49,966
Debt / (Debt + Equity) (%)	64.8	64.8	63.4	62.7
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.1
Debt/EBITDA (x)	69.5	79.1	88.1	-
Revenue	4,040	3,661	3,519	1,961
Operation Profit	597	536	475	183
Gross Margin (%)	21.6	25.6	20.8	14.6



Cash from sales or services/ Revenue (%)	91.3	94.5	109.7	72.5
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Source: THPI and Lianhe Global's calculations

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