Taizhou Huaxin Pharmaceutical Investment Co., Ltd.

Lianhe Ratings Global Limited ("Lianhe Global") has upgraded the global scale Long-term Issuer Credit Rating of Taizhou Huaxin Pharmaceutical Investment Co., Ltd. ("THPI") to 'A' from 'A-'; Issuer Rating Outlook Remains Stable

Summary	
Issuer Rating	A
Outlook	Stable
Location	China
Industry	Local Investment and Development Companies
Date	14 September 2026

Summary

The Issuer Credit Rating upgrade reflects the upgrade in our internal credit assessment on the People's Government of Taizhou City ("Taizhou government"). We expect that the Taizhou government is likely to continue providing strong support to THPI if needed. This mainly considers the Taizhou government's indirect controlling stake in THPI and its strategic importance as a key local investment and development company ("LIDC") responsible for constructing the Taizhou Medical High-tech Zone and driving the growth of Taizhou's health industry development. The linkage between the Taizhou Government and THPI is strong, including management supervision, strategic alignment and ongoing operational and financial support. In addition, we believe the Taizhou government has a strong willingness to ensure THPI's business and financial viability in order to safeguard its reputation and local financing activities.

Taizhou is a prefecture-level city in Jiangsu Province and a major biopharmaceutical and medical manufacturing hub. Taizhou's GDP grew steadily by 5.3% year-over-year, reaching RMB725.5 billion in 2025. At the same time, the budgetary revenue of Taizhou government increased by 3.0% to RMB47.5 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 State-owned Assets Supervision and Administration Commission of Taizhou ("Taizhou SASAC") 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 the appointment of its senior management, and the supervision over its major operating and financing plans. In addition, the Taizhou government assigns an auditor to review 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.

Strong Government Support: THPI benefits from ongoing support provided by the Taizhou municipal government via capital injections and financial subsidies. Between 2023 and 2025, the government granted THPI operational subsidies totaling RMB560 million to sustain its operations. The company also received capital injections amounting to RMB3,000 million

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Applicable Criteria

China Local Investment and Development Companies Criteria (31 July 2025) over the same period. We believe THPI is likely to continue to receive strong government support in the future given its strategic importance in Taizhou.

THPI's Financial and Liquidity Position: THPI continued to deleverage in the first half of 2026, with total debt reducing to RMB43.0 billion at end-June 2026 from RMB47.6 billion at end-2025 and RMB56.1 billion at end-2024. Its financial leverage, as measured by the debt to capitalization ratio, decreased to 57.8% from 63.4% over the same period. However, THPI's asset liquidity remained weak. Inventories (mainly construction costs) and Investment properties accounted for approximately 80% of the company's total assets at end-June 2026. 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 is high. At end-June 2026, the company had a cash balance of RMB4.7 billion (including restricted cash of RMB510 million), against debt due within one year of RMB19.9 billion. Yet 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. At end-March 2026, the company had a total credit line of RMB27.5 billion, of which RMB8.6 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, 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

Known as China Medical City, Taizhou represents a major biopharmaceutical and medical manufacturing hub in East China. Taizhou's GDP grew by 5.3% to RMB725.5 billion in 2025, accelerating from 5.1% in 2024. However, its fixed asset investment dropped by 36.5% owing to the weak real estate investment.

Taizhou's Economic Condition (RMB billion)	**2023**	**2024**	**2025**
GDP	673.2	702.1	725.5
-Primary industry (%)	5.1	5.1	5.0
-Secondary industry (%)	48.4	47.3	45.9
-Tertiary industry (%)	46.5	47.6	49.1
GDP growth rate (%)	6.8	5.1	5.3
Fixed asset investment growth rate (%)	9.4	8.8	-36.5
Population (million)	4.5	4.5	4.5

Source: Statistical bureau of Taizhou and Lianhe Global's calculations

Fiscal Condition of Taizhou

The Taizhou government's budgetary revenue grew by 3.0% to RMB47.5 billion in 2025. The budgetary deficit also narrowed to 44.4% in 2025 from 52.5% in 2024. However, the government income, mainly generated by land sales, continued to decline owing to the protracted property market downturn.

The outstanding debt of the Taizhou government increased significantly to RMB155.9 billion at end-2025 from RMB131.6 billion at end-2024, mainly due to the new issuance of special-purpose debts to support local public projects and debt swapping. As a result, its government debt ratio, as measured by total government debt to aggregate revenue, increased to 143.8% from 120.1% over the same period.

Taizhou's Fiscal Condition

(RMB billion)	2023	2024	2025
Budgetary revenue	44.0	45.3	47.5
Budgetary revenue growth rate (%)	5.5	3.0	3.0
Tax revenue	30.8	30.4	32.2
Tax revenue (% of budgetary revenue)	70.0	67.1	67.8
Government fund income	49.3	42.1	38.8
Transfer payment	17.9	19.9	20.2
Aggregate revenue	**112.4**	**109.5**	**108.4**
Budgetary expenditure	69.7	69.1	68.6
Budget balance[1] (%)	-58.6	-52.5	-44.4
Government debt ratio (%)	95.3	120.1	143.8

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

Source: Financial 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 RMB10.3 billion at end-June 2026. 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 constructing the Taizhou Medical High-tech Zone and driving the growth of Taizhou's health industry development. 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's total revenue decreased to RMB3.2 billion in 2025 from RMB3.5 billion in 2024, mainly due to the significant decline in the scale of real estate revenue recognition during the year. The gross margin also dropped to 16.5% from 20.8% owing to negative gross profit from recognized real estate sales.

Key Financial Data

(RMB million)	2023	2024	2025	2026.6
Total Assets	94,727	97,197	96,634	99,062
Equity	31,054	32,427	30,862	31,369
Debt	57,135	56,094	47,555	42,998
Debt / (Debt + Equity) (%)	64.8	63.4	60.6	57.8
Unrestricted cash/ST Debts (x)	0.1	0.1	0.1	0.2
Debt/EBITDA (x)	79.1	88.1	90.9	-
Revenue	3,661	3,519	3,180	1,871
Gross Margin (%)	25.6	20.8	16.5	16.5
Cash from sales or services/ Revenue (%)	94.5	109.7	102.4	113.6

Source: THPI and Lianhe Global's calculations

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