

Yangtze Memory Increases Capital and Expands Capacity to RMB 100 Billion, Big Fund Phase II Forms a Partnership with Local Hubei State-owned Assets



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As the United States continues to escalate its semiconductor export controls to China, the recent operations of domestic storage giant Yangtze Memory have attracted much attention. The latest industrial and commercial change information shows that Yangtze Memory's registered capital has increased to RMB 100 billion, with the National Integrated Circuit Industry Fund Phase II ("Big Fund Phase II"), Hubei Changsheng Development, and Yangtze River Industrial Investment Group added as the company's major shareholders. Of which, the Big Fund Phase II showed a subscribed capital of nearly RMB 12.9 billion.

Big Fund Phase II made another move

The latest industrial and commercial information shows that on February 27, 2023, Yangtze Memory's registered capital was changed from RMB 56.275 billion to EMB 105.27 billion, a year-on-year increase of approximately 87%. Among the major shareholders, the Big Fund Phase II subscribed to a capital contribution of RMB 12.887 billion, with a shareholding percentage of 12.24%, ranking as the fourth largest single shareholder; the shareholding of the Big Fund (Phase I) was diluted accordingly, with the shareholding percentage decreasing from approximately 24% to 12.88%.

In addition, Hubei Changsheng Development Co., Ltd. subscribed to a capital contribution of RMB 30.069 billion, with a shareholding percentage of 28.56%, becoming the largest shareholder with the highest single shareholding percentage in Yangtze Memory. Yangtze River Industrial Investment Group subscribed to a capital contribution of RMB 2.864 billion, with a shareholding percentage of 2.72%.

In addition to the capital subscription this time, Big Fund Phase II had already participated in the Yangtze Memory Phase II investment, and received a subscription of RMB 18 billion on December 8, 2021, accounting for 30% of the shares in the Phase II investment.

Yangtze Memory did not comment on the latest capital contributions and subscriptions of shareholders such as the Big Fund Phase II.

In addition to investing in Yangtze Memory, the Big Fund Phase II continues to deploy in domestic chip manufacturing and related supporting segments. In January of this year, the Big Fund Phase II invested in Hua Hong Semiconductor, one of the leading domestic semiconductor manufacturing companies, and jointly invested a total of USD 6.7 billion to expand the company's 12-inch wafer production capacity. In June of last year, the Big Fund Phase II also increased the capital of Hua Hong's Wuxi subsidiary. In addition, in November of last year, Tongfu Microelectronics' private placement also received nearly RMB 300 million in subscriptions from the Big Fund.

Despite the anti-corruption campaign in the chip industry, personnel shake-ups and the launch of a series of investment projects, the Big Fund and its Phase II are still important participants in the A-share semiconductor ecosystem. According to Wind statistics, as of September 30, 2022, the Big Fund Phase II ranked among the top ten shareholders of eight A-share listed companies, with a total shareholding value of RMB 12.411 billion at the end of the period. During the same period, the Big Fund (Phase I) ranked among the top ten shareholders of 28 listed companies, with a total holding of RMB 76.985 billion.

Hubei state-owned assets actively participated

The local Hubei state-owned assets actively participated in this expansion of Yangtze Memory.

After shareholder penetration, Hubei Changsheng Development Co., Ltd. is held by Hubei Integrated Circuit Industry Investment Fund, Wuhan Optics Valley Finance and Yangtze River Industrial Investment Group with 40%, 40% and 20% shares respectively. The suspected actual controller behind the scenes is the Administration of Wuhan East Lake High-tech Development Zone. In addition, the actual controller of Yangtze River Industrial Investment Group is the Hubei Provincial State-owned Assets Supervision and Administration Commission.

Yangtze Memory originally had a connection with local Hubei state-owned assets. In July 2016, on the basis of Wuhan Xinxin, Tsinghua Unigroup, Big Fund, Hubei Guoxin Industry Investment Fund Partnership and Hubei Science Technology Investment Group Co., Ltd. jointly invested and established, [text cut off] Fund holds 24.1% of the shares, Hubei Science Technology Investment Group Co., Ltd. and Hubei Guoxin Industry Investment Fund Partnership (Limited Partnership) hold 13% and 12% respectively. Qichacha shows that the

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actual controller of Hubei Guoxin Industry Investment Fund Partnership (Limited Partnership) is the Wuhan State-owned Assets Supervision and Administration Commission, and the actual controller of Hubei Science Technology Investment Group Co., Ltd. is the Administration of Wuhan East Lake High-tech Development Zone.

As Tsinghua Unigroup announced that it would enter bankruptcy and restructuring, its Yangtze Memory assets were split up. According to the plan, as one of the consortium members of the Tsinghua Unigroup restructuring, Hubei Science Technology Investment Group invested RMB 5.1 billion in cash to acquire 100% of the equity of Tibet Unisoc (now renamed as Wuhan Xinguang Technology Investment Co., Ltd.) held by Tsinghua Unigroup, as well as the receivable claims and trust beneficiary rights related to Yangtze Memory, and at the same time assumed the guarantee liability related to Yangtze Memory.

U.S. has escalated its semiconductor export controls to China

In October 2022, the United States escalated its export controls on semiconductors and other high-tech technologies to China, and companies such as Yangtze Memory were included in the “unverified list”. In December of last year, 36 Chinese technology companies including Yangtze Memory and Cambricon were included in the “Entity List” and faced stricter technology controls.

In February of this year, news came out that Yangtze Memory had reduced its production expansion due to the United States’ escalated semiconductor control on China. It has drastically cut its production equipment orders in recent months, and the order cuts have already affected local semiconductor equipment companies.

In this regard, Yangtze Memory declined to comment.

A semiconductor equipment manufacturer told the Securities Times e-company reporter that his company’s recent orders involving Yangtze Memory have not been affected and he is closely monitoring the developments. Some equipment manufacturers also said that the delivery of related orders has been delayed but not cancelled, and there is no adjustment to the performance forecast.

In addition, the reporter noticed that Yangtze Memory’s A-share supplier recently launched a stock incentive plan, and the net profit growth assessment target for 2023 has been lowered year-on-year. In this regard, the relevant listed company stated that this was mainly because the growth rate in 2022 had overdrawn this year’s growth rate, and relevant production capacity would need to be gradually caught up in the future.

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