

## Credit Opinion

29 April 2026

### Ratings

Senior Unsecured Debt Rating	A <sub>g</sub>
Long-Term Credit Rating	A <sub>g</sub>
Outlook	Stable
Category	Corporate
Domicile	China
Rating Type	Solicited Rating

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## Wuhan Optics Valley Industrial Investment Co., Ltd.

### Surveillance credit rating report

### CCXAP upgrades Wuhan Optics Valley Industrial Investment Co., Ltd.'s long-term credit rating to A<sub>g</sub>, with stable outlook.

#### Summary

CCXAP has upgraded the long-term credit rating of Wuhan Optics Valley Industrial Investment Co., Ltd. ("OVII" or the "Company") to A<sub>g</sub> from A<sub>g</sub><sup>-</sup>, reflecting the Company's strengthened capital position benefited from the continued support from the local government and its parent, Hubei Science & Technology Investment Group Co., Ltd. ("HSTI"). Meanwhile, the sustained growth of Wuhan East Lake New Technology Development Zone ("East Lake NTDZ") further underpinned the Company's business and credit profile.

The A<sub>g</sub> long-term credit rating of OVII is underpinned by the Company's (1) investment portfolio in line with the industrial development planning of East Lake NTDZ; and (2) access to funding from banks and bond market.

However, the rating is constrained by the Company's (1) moderately high investment concentration and relatively weak asset liquidity; and (2) weak profitability and modest debt-servicing ability.

The rating also reflects a high likelihood of support from the local government and its parent HSTI when needed, which is based on the Company's (1) full ownership by HSTI and ultimate control by the Management Committee of East Lake NTDZ; (2) significance in promoting the development of strategic emerging industries in the East Lake NTDZ; and (3) solid track record of receiving support from the local government and HSTI, including capital injections and loan guarantees.

The stable outlook on OVII's rating reflects our expectation that the Company will continue to receive solid support from the local government and its controlling shareholder. We also expect the Company to maintain a stable and prudent investment strategy over the next 12 to 18 months.

## Rating Drivers

- Investment portfolio aligned with the industrial development planning of East Lake NTDZ, with access to quality investment opportunities
- Concentrated investment portfolio with relatively low liquidity
- Weak and volatile profitability
- Increasing debt burden but improving debt-servicing ability
- Access to funding from banks and bond market
- High likelihood of support from the local government and its controlling shareholder

## Rating Sensitivities

### What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of support from the local government and its controlling shareholder increases; (2) the quality of the Company's investment portfolio materially improves, such as having a higher level of asset liquidity and generating better recurring cash flow from investees; or (3) the Company's credit metrics improve, for example, lower debt leverage and higher profitability.

### What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of support from the local government and its controlling shareholder decreases; (2) the performance of the Company's investment portfolio materially deteriorates; or (3) the Company shows weakened access to funding and eroded liquidity profile.

## Key Indicators

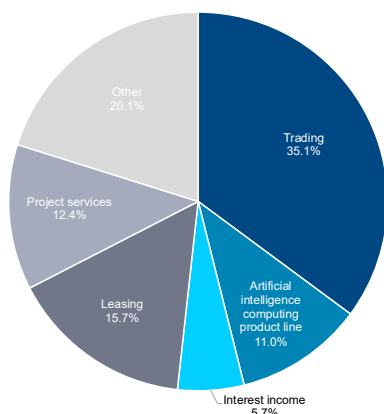
Consolidated Level	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB million)	23,495.2	24,742.7	27,126.4	42,971.6
Total Equity (RMB million)	14,300.5	14,659.8	15,417.3	24,854.0
Total Revenue (RMB million)	81.5	85.1	161.7	112.7
Net Profits (RMB million)	227.0	140.9	202.5	91.8
Return on Equity (%)	1.6	1.0	1.4	-
Holding Company Level	2022FY	2023FY	2024FY	2025Q3
Total Assets (RMB million)	19,845.1	20,389.5	20,901.5	36,604.8
Total Equity (RMB million)	11,299.0	11,079.8	11,518.5	21,825.8
Return on Equity (%)	-0.9	-1.3	0.4	-
Debt/Investment Income (x)	28.4	28.6	18.8	-
Cash/Short-term Debt (x)	2.3	0.2	0.1	1.3

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

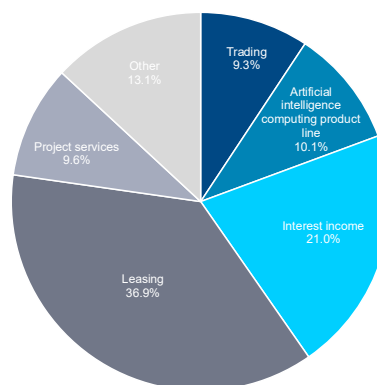
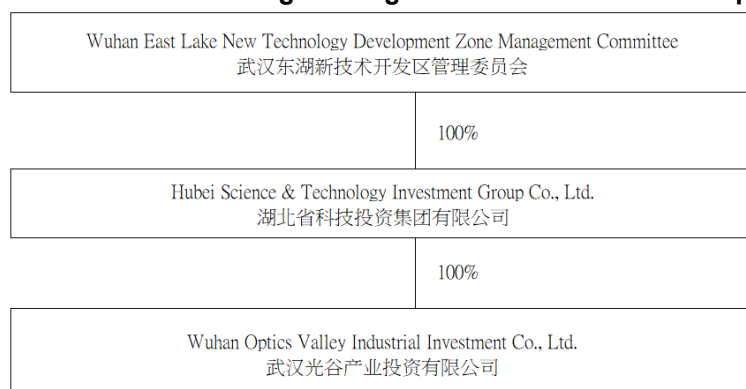
Source: Company information, CCXAP research

## Corporate Profile

Established in 2016, OVII is a wholly-owned subsidiary of HSTI, the primary infrastructure construction and industrial investment entity of East Lake NTDZ. The Company operates as the core platform responsible for HSTI's industrial investment business. Leveraging on HSTI's extensive resources, the Company mainly invests in the strategic emerging industries of East Lake NTDZ through direct equity investment and fund investment. As of 30 September 2025, OVII was ultimately controlled by the Management Committee of East Lake NTDZ.

**Exhibit 1. Revenue structure in 2024**

Source: Company information, CCXAP research

**Exhibit 2. Gross profit structure in 2024****Exhibit 3. Shareholding and organization chart as of 30 September 2025**

Source: Company information, CCXAP research

**Rating Considerations****Investment portfolio aligned with the industrial development planning of East Lake NTDZ, with access to quality investment opportunities**

As the most important industrial investment platform under HSTI, the Company focuses on investments in strategic emerging industries aligned with the East Lake NTDZ's industrial development planning through direct equity investments and fund investment, with good investment management system. Meanwhile, sustained industrial upgrading and development in East Lake NTDZ have fostered a sound external environment for the Company's growth, enabling it to access abundant high-quality investment opportunities and a favorable investment landscape.

East Lake NTDZ was founded in 1988 and was approved to be the national-level high-tech Industrial Development Zone by the State Council in 1991. Optical-electronics, semiconductors, memory, new displays and smart terminals, and life and health are the core industries of East Lake NTDZ. In 2025, the GDP of East Lake NTDZ grew by 6.3%. Its total GDP, fixed-asset investment, and paid-in capital from investment promotion ranked first in Wuhan City.

The Company's direct equity investments are closely linked with the industrial layout of the East Lake NTDZ,

covering multiple industries including information technology, life sciences, energy conservation & environmental protection, and high-tech services. As of 30 September 2025, the Company had participated in 26 direct equity investment projects, with total investment costs of RMB21.9 billion and cumulative investment gains of RMB2.1 billion from industrial projects. In 2025, HSTI transferred its 9.255% equity in Yangtze Memory Technologies Co., Ltd. (“Yangtze Memory”) to the Company with zero consideration. Founded in 2016, Yangtze Memory is an integrated circuit holding group with businesses spanning chip design, manufacturing, packaging, testing, system solutions, and specialty semiconductor wafer foundry services. As the sole enterprise in China conducting large-scale R&D on 3D NAND memory chips, Yangtze Memory holds an important position in the global memory chip market. Other material direct investments include TCL Technology Group Corporation (“TCL Technology”, Stock Code: 000100.SZ) and Wuhan China Star Optoelectronics Semiconductor Display Technology Co., Ltd. (“T4 Project”). According to existing agreement, TCL Technology will repurchase the Company’s equity interests in the T4 Project from the Company through cash or stock swap.

The Company has also invested in industrial technology research institutes co-established with leading universities in Wuhan to facilitate industry-academia-research integration. As of 30 September 2025, the Company had invested in eight industrial technology research institutes, with a cumulative investment of RMB353.0 million and exit returns of RMB65.8 million.

The Company’s fund investment portfolio includes industrial investment funds and private equity investment funds, primarily focusing on strategic emerging industries of East Lake NTDZ. As of 30 September 2025, the Company had invested into 26 funds, including 16 industrial investment funds and 10 private equity investment funds. Under the guidance of the East Lake NTDZ Management Committee, the Company invests in 16 industrial investment funds as a limited partner. As of 30 September 2025, its subscribed capital contribution totaled RMB13.2 billion, with cumulative cash exits of RMB1.9 billion, including realized income of RMB1.1 billion. These industrial funds primarily target strategic emerging industries, including optical communication technology, integrated circuits, advanced display manufacturing, high-end equipment, artificial intelligence, cloud computing, and big data. The Company also manages 10 private equity investment funds as a fund manager, with capital subscription of RMB3.1 billion at end-2025Q3. However, the Company’s fund investments have long investment period, and exit returns are susceptible to the profitability of the invested companies.

### **Concentrated investment portfolio with relatively low liquidity**

The Company’s investment concentration is moderately high, with top three investments accounting for above 50% of investment portfolio and the underlying investment assets are concentrated in Wuhan City. Moreover, after the transfer of Yangtze Memory, the Company has a high concentration of industrial investment in the semiconductor sector, and most of its projects are in the investment period with relatively low liquidity.

The Company’s investment is concentrated in Yangtze Memory, TCL Technology, and T4 Project, which totally accounted for over 50% of its investment portfolio at end-2025Q3. Government strategic projects such as Yangtze Memory accounted for a relatively high proportion of the investment portfolio, indicating controllable overall credit risk.

Moreover, the Company’s asset liquidity is relatively weak. As of end-2025Q3, the Company’s assets at holding company level were predominantly composed of other non-current assets, accounting for 32.2% of its total assets. The Company’s core equity assets consist of long-term equity investments. The Company’s direct equity investment and fund investments have long payback periods, resulting in relatively weak asset liquidity. Nevertheless, the Company’s multiple industrial funds have reached their exit stage. Coupled with the cash repurchase of the T4 Project in 2025 under the agreement, the liquidity of its investment portfolio has improved

moderately. The Company holds highly liquid listed equity securities, primarily TCL Technology, while such assets account for a relatively low proportion of its total portfolio.

### **Weak and volatile profitability**

At the consolidated level, the Company's operating revenue is mainly generated from trading, leasing, project services, and artificial intelligence computing product lines from the subsidiaries, while its profits are mainly derived from investment income and gains from changes in fair value, though both revenue and profit remain modest in scale. At the holding company level, the main sources of profit are gains and losses from changes in fair value and investment income arising from external investments. In recent years, its financial expenses have increased steadily along with growing debt scale. As a result, the Company demonstrates relatively weak profitability at the holding company level, with average return on equity of 0.6%, and average investment income to interest ratio of 1.64x in 2024.

### **Increasing debt burden but improving debt-servicing ability**

Owing to business expansion, OVII's debt burden kept increasing in 2025, with debt primarily concentrated at the holding company level. The Company's total debt at the holding company level increased from RMB9.1 billion at end-2024 to RMB14.6 billion at end-2025Q3. Its total debt to investment income ratio averaged 25.27x over the period 2022–2024 at the holding company level. Meanwhile, the Company's total capitalization ratio dropped from 44.2% to 39.5%, primarily driven by the growth in capital. Considering its ongoing investments, we expect the Company's debt burden will continue to increase in the foreseeable future.

During the first three quarters of 2025, the Company's debt maturity structure improved. Supported by a notable increase in cash inflows from investment gains, the coverage of interest expenses also strengthened. As of 30 September 2025, the Company's short-term debt accounted for about 18.7% of total debt, and its cash to short-term debt ratio was 1.3x at the holding company level, indicating adequate liquidity to cover its short-term obligations.

### **Access to funding from banks and bond market**

The Company benefits from diversified funding channels, including bank borrowings and debt capital markets. It maintains a good relationship with diversified domestic commercial banks. As of 30 September 2025, it had obtained total credit facilities of RMB20.6 billion, with available amount of RMB6.6 billion, indicating moderate standby liquidity. In addition, the Company has established ongoing access to onshore and offshore debt markets. In 2025, the Company issued three tranches of onshore bonds, raising RMB3.0 billion, with coupon rates ranging from 2.27% to 2.69%. The Company also accessed the offshore bond market in 2025, issuing bond with an aggregate principal amount of RMB1.0 billion at a coupon rate of 3.2%. Such diversified funding access supports the Company's financing flexibility and mitigates refinancing risks.

### **External Support**

#### **High likelihood of support from the local government and its controlling shareholder**

We expect OVII has a high likelihood of receiving support from the local government and HSTI in times of need. This expectation incorporates our considerations of the Company's (1) full ownership by HSTI and ultimate control by East Lake NTDZ Management Committee; (2) significance in promoting the development of strategic emerging industries in East Lake NTDZ; and (3) solid track record of receiving support from the local government and HSTI, including capital injections and loan guarantees.

HSTI is the most important infrastructure construction, industrial park construction, and industrial investment entity in the East Lake NTDZ, with strong support from the local government. The Company is the strategic industrial investment platform under the management of HSTI, assuming the role of cultivating local emerging industries in East Lake NTDZ, such as information technology, life sciences, energy conservation & environmental protection, and high-tech services. As of 30 September 2025, OVII's consolidated assets and revenue amounted to RMB43.0 billion and RMB112.7 million, accounting for 12.0% and 2.8% of HSTI's total assets and revenue respectively. HSTI maintains a high degree of control over OVII's operations, including the formulation of business strategies and the appointment of the board of directors and key management personnel. The Company is also required to report its annual budget, objectives, plans and performance to HSTI.

Furthermore, OVII has a high linkage with the local government. Most of the Company's investment projects are consistent with the regional industrial development strategy, playing a vital role in advancing the development of strategic emerging industries in the East Lake NTDZ. The Company's ownership structure and business operations are closely aligned with the East Lake NTDZ Management Committee's and the region's future development direction.

OVII receives solid support from HSTI and the local government, given its strategic and economic importance in industrial investment in East Lake NTDZ. In 2025, HSTI transferred its 9.255% equity of Yangtze Memory with a book value of RMB11.8 billion to the Company with zero consideration, which significantly strengthened its capital strength. Additionally, HSTI provides loan guarantees to the Company, facilitating its external financing. For example, the onshore bond of RMB1.0 billion issued by the Company in 2022 was guaranteed by HSTI.

## ESG Considerations

OVII faces few environmental issues as an investment-oriented enterprise. Its affiliated research institutes and industrial institutions are involved in industries that may face certain risks in terms of resource utilization, emissions, and environmental protection policies, but no regulatory penalties have been imposed so far.

As an investment enterprise, OVII is also exposed to certain social risks. The Company has a sound employee incentive mechanism and training system, owns a professional and high-quality operation and management team, and has no safety accidents or labor arbitrations with significant impact.

OVII's governance situations mainly include investment management, fund management, financial management, risk control and other aspects, which are supported by its established corporate governance structure consisting of shareholders, the board of directors and the management team, as well as a relatively sound corporate governance framework. Moreover, it must meet higher requirements for various internal control systems as its business expands.

## Structural Consideration

OVII's senior unsecured debt rating is equivalent to its long-term credit rating. We believe that government support will flow through the Company given its significance in promoting the development of strategic emerging industries in East Lake NTDZ, thereby mitigating any differences in an expected loss that could result from structural subordination.

## Rating Methodology

The methodology used in this rating is the Rating Methodology for [Investment Holding Companies \(December 2016\)](#).

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