Optics Valley Union Holding Company Limited
光谷聯合控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 798)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of Optics Valley Union Holding Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Reporting Period**"), together with the comparative figures for 2015 as follows. These consolidated interim financial results have not been audited, but have been reviewed by the independent auditors of the Company and the audit committee of the Company (the "**Audit Committee**").

UNAUDITED INTERIM RESULTS OF THE GROUP FOR THE REPORTING PERIOD

Interim Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

		Unaudited	
		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**780,743**	427,974
Cost of sales		**(639,268)**	(247,967)
Gross profit		**141,475**	180,007
Other income and gains — net		**130,090**	1,798
Selling and distribution expenses		**(44,964)**	(30,742)
Administrative expenses		**(114,555)**	(83,378)
Other expenses		**(758)**	(5,301)
Operating profit before changes in fair value of investment properties		**111,288**	62,384
Fair value gains on investment properties	*9*	**85,667**	127,996
Operating profit after changes in fair value of investment properties		**196,955**	190,380
Finance income	*5(a)*	**7,095**	18,314
Finance costs	*5(a)*	**(38,195)**	(1,202)
Net finance (costs)/income		**(31,100)**	17,112
Share of profits/(losses) of associates		**267**	(1)
Share of losses of joint ventures		**(1,704)**	(6,789)
Profit before income tax		**164,418**	200,702
Income tax expense	*6*	**(38,914)**	(78,414)
Profit for the period		**125,504**	122,288
Profit attributable to:			
— Owners of the Company		**121,607**	117,942
— Non-controlling interests		**3,897**	4,346
Profit for the period		**125,504**	122,288
Basic and diluted earnings per share (RMB cents)	*8*	**3.02**	2.95

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016 — unaudited
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**125,504**	122,288
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
— Currency translation differences	**6,514**	(347)
Other comprehensive income/(loss) for the period, net of tax	**6,514**	(347)
Total comprehensive income for the period	**132,018**	121,941
Attributable to:		
— Owners of the Company	**128,121**	117,595
— Non-controlling interests	**3,897**	4,346
Total comprehensive income for the period	**132,018**	121,941

Interim Consolidated Statement of Financial Position

At 30 June 2016 — unaudited

(Expressed in Renminbi)

	Note	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**361,059**	274,915
Investment properties	9	**1,770,440**	1,225,700
Land use rights		**2,264**	—
Intangible assets		**4,832**	4,248
Investments in associates		**480,025**	13,215
Investments in joint ventures		**165,657**	36,051
Available-for-sale financial assets		**10,000**	13,000
Trade and other receivables	13	**190,000**	—
Deferred income tax assets		**104,584**	68,318
		3,088,861	1,635,447
Current assets			
Properties under development	10	**2,202,584**	2,443,551
Completed properties held for sale	11	**2,975,254**	2,317,286
Inventories and contracting work-in-progress	12	**159,652**	232,544
Trade and other receivables	13	**2,380,648**	610,373
Current income tax assets		**21,609**	6,661
Available-for-sale financial assets		**51,500**	—
Restricted cash		**142,924**	150,466
Cash and cash equivalents		**1,672,830**	901,364
		9,607,001	6,662,245
Non-current assets classified as held for sale		**28,400**	19,000
Assets of disposal group held for sale		**—**	576,736
		9,635,401	7,257,981
Current liabilities			
Trade and other payables	14	**2,057,560**	2,075,713
Corporate bonds		**29,400**	531,434
Bank and other borrowings		**2,587,910**	1,292,316
Current income tax liabilities		**125,381**	126,372
Current portion of deferred income		**4,628**	4,087
		4,804,879	4,029,922
Liabilities directly associated with non-current assets classified as held for sale		**—**	2,598
Liabilities of disposal group held for sale		**—**	48,645
		4,804,879	4,081,165
Net current assets		**4,830,522**	3,176,816
Total assets less current liabilities		**7,919,383**	4,812,263

	Note	At 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Non-current liabilities			
Corporate bonds		**564,988**	560,544
Bank and other borrowings		**1,168,760**	991,000
Deferred income tax liabilities		**244,154**	171,676
Non-current portion of deferred income		**41,648**	36,783
		2,019,550	1,760,003
Net assets		**5,899,833**	3,052,260
Equity			
Share capital	*15*	**658,680**	316,800
Reserves		**3,575,928**	1,150,334
Retained profits		**1,420,109**	1,298,502
Total equity attributable to owners of the Company		**5,654,717**	2,765,636
Non-controlling interests		**245,116**	286,624
Total equity		**5,899,833**	3,052,260
Total equity and non-current liabilities		**7,919,383**	4,812,263

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

Optics Valley Union Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in development of themed industrial parks and related businesses, provision of business operation services to park customers and leasing business of investment properties. The Group has operations mainly in the mainland China.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company's share has its primary listing on The Stock Exchange of Hong Kong Limited.

Acquisition of China Electronics Technology Development Co., Ltd ("CEC Technology") and issue of new shares

On 14 December 2015, China Electronics Corporation Holdings Company Limited ("CECH") (as vendor) entered into an equity interest transfer agreement with the Company and AAA Finance & Investment Limited ("HK 3A"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company (as purchasers), pursuant to which CECH had conditionally agreed to sell, and the Company and HK 3A had conditionally agreed to acquire, 100% of the equity interest in CEC Technology for a consideration of the 1,058,530,083 new shares to be issued by the Company to CECH upon the equity transfer completion credited as fully paid, at the consideration price of HK$0.8 per share.

On 14 December 2015, CECH (as subscriber) entered into a subscription agreement with the Company (as the issuer), pursuant to which the Company had conditionally agreed to allot and issue, and CECH had conditionally agreed to subscribe in cash, 1,491,469,917 new shares of the Company to be subscribed for by CECH, credited as fully paid, at the subscription price of HK$0.8 per share.

On 14 December 2015, the Company (as the issuer) entered into a placing agreement with China Everbright Securities (HK) Limited ("China Everbright"), pursuant to which China Everbright has conditionally agreed to place, on a fully underwritten basis, 1,450,000,000 new shares of the Company (failing which China Everbright would subscribe for the untaken placing shares), credited as fully paid, to not less than six placees at the placing price of HK$0.8 per share.

On 30 June 2016, the above three transactions were completed and as a result, the Company issued 4,000,000,000 shares and CEC Technology has become a wholly-owned subsidiary of the Company since then. After deducting the commission fee of RMB19,316,000 payable to China Everbright, the net proceeds from issue of the subscription and placing shares amounted to RMB1,991,944,000, of which RMB1,019,808,000 has been received as 30 June 2016 and RMB972,136,000 was received subsequently in July 2016. Share capital of RMB341,880,000 and share premium of RMB2,419,080,000 were recognised in equity as a result of the above three transactions. As at 30 June 2016, CECH held 2,550,000,000 shares of the Company, which accounts for 31.875% of the Company's total number of shares. Accordingly, the Company has become an associate of CECH since 30 June 2016.

Disposal of subsidiaries

On 17 November 2015, Wuhan Optics Valley Union Group Co., Ltd. ("Wuhan Optics Valley Union") (as vendor) entered into a sale and purchase agreement with Hubei Science & Technology Investment Group Co., Ltd. ("Hubei Science & Technology Investment") (as purchaser), for the conditional sale and purchase of 70% of the equity interest of Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. ("Technology Park"), together with the loan owed by Technology Park to Wuhan Optics Valley Union, for a consideration of approximately RMB267,310,000.

On the same day, Wuhan Optics Valley Union (as vendor) entered into another sale and purchase agreement with Hubei Science & Technology Investment (as purchaser), for the conditional sale and purchase of 70% of the equity interest of Wuhan Financial Harbour Development Co., Ltd. ("Financial Harbour"), together with the loan owed by Financial Harbour to Wuhan Optics Valley Union, for a consideration of approximately RMB270,122,000.

On 16 January 2016, the underlying transactions pursuant to the abovementioned sale and purchase agreements (the "Disposals") were approved by the independent shareholders of the Company. The Disposals were completed on 18 January 2016, which resulted in a gain of RMB128,559,000. Following the completion of the Disposals, the Group no longer has any shareholding interest in Technology Park and Financial Harbour, and Technology Park and Financial Harbour ceased to be subsidiaries of the Company.

2. BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

(a) Amendments to IFRSs effective for the financial year beginning on 1 January 2016 do not have a material impact on the Group.

    Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) The following new and amended standards that have been issued and are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to IAS 7	Statement of cash flows	1 January 2017
Amendments to IFRS 12	Income taxes	1 January 2017
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

The Group is yet to assess the impact of the above new standards and amendments to existing standards on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five segments. The operating segments with similar economic characteristics have been aggregated to form the following segments.

- Property development and investment holding: this segment develops and sells industrial parks and residential properties. It also includes the Group's other investment holding activities. Currently the Group's activities in this regard are carried out in the PRC.

- Construction contract: the revenue of this segment recognised results from the development of a number of office and residential buildings for some of the Group's customers. These buildings are constructed based on specifically negotiated contracts with customers. Currently the Group's activities in this regard are carried out in the PRC.

- Property leasing: this segment leases office units to generate rental income and to gain from the appreciation in the properties' values in the long term. Currently the Group's investment property portfolio is located entirely in the PRC.

- Development management services: this segment provides consultation management for the projects under construction. Currently the Group's activities in this regard are carried out in the PRC.

- Business operation services: this segment provides property management and other services for the completed projects of industrial parks and residential properties. Currently the Group's activities in this regard are carried out in the PRC.

(a) Segment results

Information regarding the Group's segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June 2016

	Property development *RMB'000*	Construction contract *RMB'000*	Property leasing *RMB'000*	Development management services *RMB'000*	Business operation services *RMB'000*	Total *RMB'000*
Revenue from external customers	**508,099**	**70,420**	**37,050**	**3,918**	**161,256**	**780,743**
Inter-segment revenue	**—**	**59,987**	**1,661**	**—**	**22,353**	**84,001**
Segment revenue	**508,099**	**130,407**	**38,711**	**3,918**	**183,609**	**864,744**
Segment profits/(losses)	**54,320**	**(4,663)**	**33,040**	**3,784**	**40,860**	**127,341**
Finance costs	**(32,224)**	**(1,795)**	**—**	**—**	**(4,176)**	**(38,195)**
Finance income	**5,793**	**381**	**—**	**—**	**921**	**7,095**
Depreciation and amortisation	**(11,065)**	**(4,746)**	**—**	**—**	**(1,773)**	**(17,584)**
Share of profits/(losses) of associates	**482**	**(14)**	**—**	**—**	**(201)**	**267**
Share of losses of joint ventures	**(1,406)**	**—**	**—**	**—**	**(298)**	**(1,704)**
Fair value gains on investment properties	**—**	**—**	**85,667**	**—**	**—**	**85,667**
Capital expenditures	**43,266**	**17,809**	**—**	**—**	**2,618**	**63,693**

For the six months ended 30 June 2015

	Property development *RMB'000*	Construction contract *RMB'000*	Property leasing *RMB'000*	Development management services *RMB'000*	Business operation services *RMB'000*	Total *RMB'000*
Revenue from external customers	270,942	29,167	15,883	3,868	108,114	427,974
Inter-segment revenue	—	100,663	22	171	19,134	119,990
Segment revenue	270,942	129,830	15,905	4,039	127,248	547,964
Segment profits/(losses)	51,871	(3,657)	10,601	3,327	11,046	73,188
Finance costs	(492)	(710)	—	—	—	(1,202)
Finance income	9,731	7,991	—	—	592	18,314
Depreciation and amortisation	(5,816)	(4,354)	—	—	(2,432)	(12,602)
Share of losses of associates	(1)	—	—	—	—	(1)
Share of losses of joint ventures	(6,789)	—	—	—	—	(6,789)
Fair value gains on investment properties	—	—	127,996	—	—	127,996
Capital expenditures	16,280	36	—	—	186	16,502

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Revenue		
Segment revenue	**864,744**	547,964
Elimination of inter-segment revenue	**(84,001)**	(119,990)
Revenue	**780,743**	427,974
Profits		
Segment profits derived from Group's external customers	**127,341**	73,188
Fair value gains on investment properties	**85,667**	127,996
Share of losses of associates	**267**	(1)
Share of losses of joint ventures	**(1,704)**	(6,789)
Other income	**1,531**	1,798
Finance income	**7,095**	18,314
Finance costs	**(38,195)**	(1,202)
Depreciation and amortisation	**(17,584)**	(12,602)
Profit before income tax	**164,418**	200,702

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(a) Finance income/(costs):		
Finance income:		
Interest income	**6,320**	17,901
Gains on available-for-sale financial assets	**775**	413
Sub-total	**7,095**	18,314
Finance costs:		
Interest expenses	**(111,085)**	(131,724)
Capitalised interest expenses	**73,373**	130,544
	(37,712)	(1,180)
Net foreign exchange losses	**(483)**	(22)
Sub-total	**(38,195)**	(1,202)
Net finance (costs)/income	**(31,100)**	17,112

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**140,124**	110,816
Contributions to defined contribution retirement schemes	**9,104**	6,922
	149,228	117,738
(c) Other items:		
Depreciation	**17,200**	12,273
Amortisation	**384**	329
Auditors' remuneration	**800**	500
Cost of properties sold	**490,492**	128,710
Cost of construction and goods sold	**56,886**	40,197
Rentals income from investment properties	**(37,050)**	(15,883)
Gains on disposal of subsidiaries *(Note 1)*	**(128,559)**	—
Operating lease charges	**1,496**	1,723

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
PRC Corporate Income Tax ("CIT")	**26,711**	18,084
PRC Land Appreciation Tax ("LAT")	**4,960**	27,775
	31,671	45,859
Deferred income tax	**7,243**	32,555
	38,914	78,414

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in these jurisdictions.

No provision for Hong Kong Profits Tax was made as the Group's Hong Kong subsidiaries did not earn any income subject to Hong Kong Profits Tax for the period (six months ended 30 June 2015: nil).

(ii) PRC CIT

Effective from 1 January 2008, under the PRC CIT Law, the PRC's statutory income tax rate is 25%. The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified. According to the approvals from the local tax authority, the assessable profits of certain subsidiaries of the Group were calculated based on 8% to 11% of their respective gross revenues for the period.

(iii) PRC LAT

LAT is levied on properties developed by the Group in the PRC for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including lease charges of land use rights, borrowing costs and all qualified property development expenditures.

(iv) Withholding tax

According to the PRC CIT Law and its related regulations, the Group is subject to a withholding tax at 10%, unless reduced by tax treaties or arrangements, for dividends distributed by a PRC enterprise to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax. According to the China-HK Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "beneficial owner" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding rate of 5%. On this basis, the Group has made provision of withholding income tax on the retained profits generated by PRC subsidiaries that are expected to be distributed in the foreseeable future.

7. DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2016. However, the Board has resolved on 18 August 2016 to recommend for declaration and payment of a special dividend (the "Special Dividend") of HKD0.03 per share (equivalent to RMB0.026 per share) out of the share premium account of the Company (the "Share Premium Account"), subject to the conditions set out below:

(a) the passing of an ordinary resolution by the shareholders of the Company ("**Shareholders**") at a general meeting approving the declaration and payment of the Special Dividend out of the Share Premium Account pursuant to the articles of association of the Company; and

(b) the directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the Special Dividend, unable to pay its debts as they fall due in the ordinary course of business.

Subject to the fulfilment of the above conditions, the Special Dividend is expected to be distributed on or before Sunday, 30 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 30 September 2016.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB121,607,000 (six months ended 30 June 2015: RMB117,942,000). The weighted average number of ordinary shares for the six months ended 30 June 2016 is approximately 4,021,978,022 (six months ended 30 June 2015: 4,000,000,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2016 and the six months ended 30 June 2015 and therefore, diluted earnings per share equals to basic earnings per share.

9. INVESTMENT PROPERTIES

Investment properties comprise a number of commercial and residential properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2 years to 15 years.

The Group's investment properties carried at fair value were revalued as at 30 June 2016 by Savills Valuation and Professional Services Limited ("Savills"), an independent firm of surveyors. The valuation were carried out by Savills with reference to market value of property interest, which intended to be the estimated amount for which a property should be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. In valuing the property interest in the PRC, Savills has adopted the investment approach (income approach) by taking into account the current rental income of the property interest and the reversionary potential of the tenancy, and also adopted the direct comparison approach and made reference to the recent transactions for similar premises in the proximity. Adjustments have been made for the differences in transaction dates, building age, floor area etc., between the comparable properties and the subject property. During the period ended 30 June 2016, a total gain of RMB85,667,000 (six months ended 30 June 2015: RMB127,996,000), and deferred tax thereon of RMB21,417,000 (six months ended 30 June 2015: RMB31,999,000), has been recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2016, certain investment properties of the Group with carrying value of RMB643,500,000 (31 December 2015: RMB704,490,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

10. PROPERTIES UNDER DEVELOPMENT

(a) Properties under development in the consolidated statement of financial position comprise:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**1,128,917**	1,110,806
Expected to be recovered after more than one year		
Properties held for future development for sale *(Note)*	**335,061**	464,524
Properties under development for sale	**738,606**	868,221
	1,073,667	1,332,745
	2,202,584	2,443,551

Note: Properties held for future development for sale is after netting off benefits from government grants of RMB17,104,000 (for the year ended 31 December 2015: RMB22,847,000) for the six months ended 30 June 2016. Pursuant to the agreements between the Group's subsidiaries and local governments, such grants are for subsidising the infrastructure construction of certain projects.

(b) The analysis of carrying value of leasehold land included in properties under development is as follows:

	At 30 June 2016 *RMB'000*	At 31 December 2015 *RMB'000*
In the PRC, with lease term of 40 years or more	**479,557**	873,403

11. COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC on leases between 40 and 70 years. All completed properties held for sale are stated at cost.

12. INVENTORIES AND CONTRACTING WORK-IN-PROGRESS

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Gross amounts due from customers for contract work *(Note (i))*	**137,556**	194,300
Work in progress	**11,167**	9,617
Finished goods	**8,897**	26,914
Raw materials	**2,032**	1,713
	159,652	232,544

(i) Gross amounts due from customers for contract work

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Cost plus attributable profit less foreseeable losses	**316,896**	277,760
Progress payments received and receivable	**(179,340)**	(83,460)
Contracting work-in-progress	**137,556**	194,300
Representing:		
Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	**137,556**	194,300

13. TRADE AND OTHER RECEIVABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Current portion		
Trade and bill receivables *(Note (i))*	**461,876**	345,980
Amounts due from related parties	**436,436**	1,002
Prepayments for properties held for development *(Note (ii))*	**142,770**	—
Prepayments for acquisition of certain equity interest in a property development company	**—**	50,000
Prepayments for construction cost and raw materials	**60,963**	57,611
Consideration receivable from share placing	**972,136**	—
Prepaid business tax and other taxes	**25,690**	6,026
Others	**280,777**	149,754
	2,380,648	610,373
Non-current portion		
Prepayments for acquisition of certain equity interests	**120,000**	—
Prepayments for acquisition of certain properties	**70,000**	—
	190,000	—
Total	**2,570,648**	610,373

Trade debtors and bills receivable are due within 3 months to 6 months from the date of billing. As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Within 1 month	**50,750**	189,180
1 to 3 months	**75,521**	3,685
3 to 6 months	**104,980**	5,203
Over 6 months	**230,625**	147,912
	461,876	345,980

Notes:

(i) Trade receivables are primarily related to proceeds from the sale of properties. Proceeds from the sale of properties are made in lump-sum payments or paid by instalments in accordance with the terms of the corresponding sale and purchase agreements. If payment is made in lump-sum payment, settlement is normally required by date of signing the sales contract. If payments are made in instalments, settlement is in accordance with the contract terms.

The remaining balance of trade receivables is expected to be recovered within one year.

The directors are of the view that all trade receivables are neither individually nor collectively considered to be impaired as at the end of each reporting period.

(ii) The Group has entered into a number of contracts to acquire property development projects and has made prepayments in accordance with the terms of contracts.

14. TRADE AND OTHER PAYABLES

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Trade creditors and bills payable	**1,276,320**	1,224,214
Receipts in advance	**493,193**	261,785
Accrued payroll	**10,919**	20,303
Other payables and accruals	**259,926**	214,411
Amounts due to non-controlling shareholders	**—**	350,000
Amounts due to related parties	**17,202**	5,000
Total	**2,057,560**	2,075,713

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 30 June 2016	At 31 December 2015
	RMB'000	*RMB'000*
Within 1 month	**786,534**	728,182
1 to 12 months	**390,077**	314,744
Over 12 months	**99,709**	181,288
	1,276,320	1,224,214

15. SHARE CAPITAL

The Company was incorporated on 15 July 2013 with authorised capital of 100,000 shares at HK$0.10 per share. As part of the reorganisation, the authorised capital of the Company was increased to HK$1,000,000,000 divided into 10,000,000,000 shares of HK$0.10 each.

Movements of the Company's ordinary shares are set out below:

	At 30 June 2016		At 31 December 2015	
	No. of Shares ('000)	***RMB'000***	*No. of Shares ('000)*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**4,000,000**	**316,800**	4,000,000	316,800
Issue of new shares	**4,000,000**	**341,880**	—	—
At the end of the period/year	**8,000,000**	**658,680**	4,000,000	316,800

MANAGEMENT DISCUSSION AND ANALYSIS

Highlights of the First Half of 2016

- The Group recorded revenue of RMB780.7 million, representing an increase of 82.4% as compared with the same period in 2015. Revenue from property development and relevant operations accounted for 65.1% of the total revenue, while revenue from other businesses, including the operation services of business parks, contributed to 34.9% of its total revenue.

- Profits attributable to owners of the Company amounted to RMB121.6 million, representing an increase of 3.1% as compared with the same period in 2015.

- The Group secured contracted sales of properties of approximately RMB996.7 million, representing an increase of 32.8% as compared with the same period in 2015; and the area of contracted sales was approximately 130,000 sq.m., representing an increase of 26.6% as compared with the same period in 2015.

- Net assets attributable to owners of the Company of the Group as of 30 June 2016 amounted to RMB5,654.7 million, representing an increase of 104.5% as compared with the beginning of the year.

Business Review

In the first half of 2016, the Group's sales revenue of properties amounted to approximately RMB508.1 million, representing an increase of 87.6% over the first half of 2015 of RMB270.9 million. Area sold and recognized increased by 97.4% from 38,000 sq.m. in the first half of 2015 to approximately 75,000 sq.m. in the first half of 2016. The recognized average selling price slightly decreased by 5% from RMB7,190 per sq.m. in the first half of 2015 to RMB6,807 per sq.m..

During the Reporting Period, four major projects in Wuhan recorded revenue, accounting for 84.5% of the total revenue; three projects in other cities, including Huangshi, Ezhou and Shenyang recorded revenue, accounting for 15.5% of the total revenue.

For the six months ended 30 June 2016, property projects sold and delivered included:

Properties sold and delivered	City	2016 Revenue (RMB'000)	2016 GFA sold and delivered (sq.m.)	2016 Recognized average selling price (RMB per sq.m.)	2015 Revenue (RMB'000)	2015 GFA sold and delivered (sq.m.)	2015 Recognized average selling price (RMB per sq.m.)
Wuhan Optics Valley Software Park (Phase V)	Wuhan	—	—	—	23,744	3,013	7,881
Wuhan Optics Valley Software Park (Phase III)	Wuhan	—	—	—	6,975	816	8,548
Wuhan Optics Valley Financial Harbour (Phase II)	Wuhan	**38,687**	**7,332**	**5,276**	72,662	9,746	7,455
Wuhan Creative Capital (Phase I)	Wuhan	**112,906**	**13,678**	**8,255**	114,864	13,269	8,657
Wuhan Lido 2046	Wuhan	**276,114**	**24,552**	**11,246**	—	—	—
Wuhan Innocenter	Wuhan	**3,816**	**587**	**6,504**	20,799	2,630	7,908
Qingdao OVU International Marine Information Harbour	Qingdao	—	—	—	15,086	2,570	5,870
Ezhou OVU Science and Technology City	Ezhou	**14,343**	**5,087**	**2,820**	14,275	5,099	2,800
Huangshi OVU Science and Technology City	Huangshi	**3,788**	**895**	**4,232**	1,686	359	4,696
Shenyang OVU Science and Technology City	Shenyang	**60,683**	**22,516**	**2,695**	—	—	—
Other properties	Wuhan	**(2,238)**	—	—	851	182	4,676
Total		**508,099**	**74,647**	**6,807**	270,942	37,684	7,190

Sales of Properties

During the Reporting Period, the Group secured contracted sales of properties of RMB996.7 million, representing an increase of 32.8% as compared with the corresponding period in 2015. The area of contracted sales was approximately 130,000 sq.m., representing an increase of 26.6% as compared with the corresponding period in 2015.

During the Reporting Period, the majority of the contracts were from the Group's projects in Wuhan, realizing contracted sales of approximately RMB569.4 million and representing 57.1% of the Group's total contracted sales amount in the current period.

For the six months ended 30 June 2016, the details of the Group's contracted sales amount and contracted area sold are as follows:

City and project	Contracted sales amount (RMB'000) 2016	2015	Contracted area (sq.m.) 2016	2015
Wuhan Optics Valley Software Park (Phase V)	—	13,450	—	1,500
Wuhan Creative Capital	**188,994**	104,740	**20,184**	12,100
Wuhan Optics Valley Financial Harbour (Phase II)	**44,776**	26,600	**5,655**	3,800
Wuhan Innocenter	**41,584**	4,500	**5,810**	600
Wuhan Lido 2046	**294,073**	372,970	**23,272**	34,100
Qingdao OVU International Marine Information Harbour	**53,901**	62,170	**8,053**	9,400
Ezhou OVU Science and Technology City	**35,324**	53,170	**9,869**	17,400
Huangshi OVU Science and Technology City	**4,969**	2,510	**1,068**	500
Shenyang OVU Science and Technology City	**31,298**	30,220	**10,556**	10,200
Hefei Financial Harbour	**255,596**	43,550	**35,071**	5,700
CEC Xi'an Industrial Park *(note)*	**46,197**	28,910	**10,744**	6,723
Other projects	—	7,990	—	900
Total	**996,712**	750,780	**130,282**	102,923

Note: CEC Xi'an Industrial Park is a development project of CEC Technology. CEC Technology became a wholly-owned subsidiary of the Group on the 30 June 2016.

Construction and Development

In the first half of 2016, the total GFA of newly completed properties of the Group was approximately 225,000 sq.m., while the total GFA of properties sold and delivered was approximately 75,000 sq.m. and the area of new development of the Group was approximately 181,000 sq.m.. As at 30 June 2016, the total area of properties under construction was 652,000 sq.m..

Land Bank

As at 30 June 2016, the planned GFA of the Group's land bank was approximately 6,261,000 sq.m., which can fulfill the development demand for at least the coming five years.

The land bank of the Group was distributed in major second-tier and third-tier cities, among which 10.9% were located in Wuhan, while the remaining 89.1% were located in other cities such as Qingdao, Hefei, Shenyang, Ezhou, Huangshi, Huanggang, Chengmai, Beihai, Xi'an and Wenzhou.

An overview of land bank as at 30 June 2016 is as follows:

Project	City	Location	Usage	Proportion of interest of the Group in the project	Land Bank
					(sq.m.)
Optics Valley Software Park	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
Financial Harbour (Phase I)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
Financial Harbour (Phase II)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	12,824
Creative Capital	Wuhan	16 Ye Zhi Hu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	330,804
Wuhan Innocenter	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	203,707
Romantic Town	Wuhan	46 Guanggu Avenue, Wuhan, Hubei Province	Residential	51%	2,849
Lido Mason	Wuhan	No. 318 Minzu Avenue, Wuhan, Hubei Province	Residential	50%	1,282
Lido 2046	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	36,226
Others	Wuhan	N/A	Residential	100%	14,004
Qingdao OVU International Marine Information Harbour	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	368,895
Qingdao Innocenter — Pubic Housing	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential	100%	25,656
Qingdao Innocenter	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Industrial	100%	110,724
Qingdao Marine & Science Park (Phase I)	Qingdao	South of Zhang Jiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	Industrial	100%	197,050

Project	City	Location	Usage	Proportion of interest of the Group in the project	Land Bank
					(sq.m.)
Huanggang OVU Science and Technology City	Huanggang	Intersection of Central Ring Road and North of Xingang Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	155,334
Shenyang OVU Science and Technology City	Shenyang	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	159,737
Ezhou OVU Science and Technology City (Phase I)	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	390,913
Huangshi OVU Science and Technology City (Phase I)	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	182,571
Lido Top View	Huangshi	No. 76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	18,106
Hefei Financial Harbour	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	80%	608,660
Haikou Software Park — Residential	Chengmai	Laocheng Hi-tech Industry Demonstration Zone, Hainan Province	Residential	40%	709,040
Haikou Software Park — Industrial	Chengmai	Laocheng Hi-tech Industry Demonstration Zone, Hainan Province	Industrial	40%	436,348
Haikou Software Park — Commercial	Chengmai	Laocheng Hi-tech Industry Demonstration Zone, Hainan Province	Commercial	40%	503,196
Haikou Software Park — Research	Chengmai	Laocheng Hi-tech Industry Demonstration Zone, Hainan Province	Research	40%	39,530
Beihai Industrial Park	Beihai	368, East Extension of Bei Hai Road, Beihai City, Guangxi	Industrial	100%	268,797
Xi'an Industrial Park	Xi'an	West of Ten Road, Marsh, North of Sheng Ji Road, Xi'an City, Shaanxi Province	Industrial	74%	291,330

Project	City	Location	Usage	Proportion of interest of the Group in the project	Land Bank
					(sq.m.)
Zhongdian Information Building	Beijing	17/F, No. 6, Zhongguancun South Street, Haidian District, Beijing City	Industrial	100%	1,365
Wenzhou Industrial Park	Wenzhou	Jinhai Park, Wenzhou Economic Development Zone, Zhejiang Province	Industrial	60%	252,920
Wenzhou Industrial Park	Wenzhou	Jinhai Park, Wenzhou Economic Development Zone, Zhejiang Province	Commercial	60%	105,817
Land on Beihai Taiwan Road	Beihai	Zhongdian International Community, Kou Jilin Road, Taiwan Road, Beihai City, Guangxi	Residential	29%	750,835
Total					6,260,673

Business Operation Services

The Group provides enterprises in its business parks with diversified and one-stop business operation services to facilitate and serve their business operations, as well as to reduce their operational costs. As the Group develops and completes an increasing number of business parks, the scope and types of services of its business parks are continuously expanding with the number of customers constantly on the rise. The Group provides various business operation services including property management, equipment and facilities management, services of district cooling and heating energy system ("**DHC**"), innovation incubation, human resources and training services, accommodation, hotels, group catering services, etc. to its customers. For the period ended 30 June 2016, turnover from business operation services was RMB161.3 million, representing an increase of 49.2% as compared to RMB108.1 million in the corresponding period in 2015.

Construction Contracts

The Group provides construction services ranging from decorating and improving external parts and internal public areas of buildings to customers in its business parks as well as customers operating in properties owned by third parties. As the Group enhances its vertically integrated business model along the value-chain of the business park development industry, the amount of decoration and improvement services provided by Wuhan Lido Technology Co., Ltd., a wholly owned subsidiary of the Group, to its project companies has been increasing. Turnover of the Group from construction contracts amounted to RMB70.4 million for the six months ended 30 June 2016.

Property Leasing

The Group engages in property leasing in its business parks through holding and leasing out certain properties with supporting services and office properties suitable for general business purpose in order to generate recurring rental income. The Group plans to gradually increase the holding of leasehold properties. As at 30 June 2016, the Group held investment properties with a total GFA of approximately 167,000 sq.m. During the Reporting Period, turnover from property leasing amounted to RMB37.1 million.

Development Management Services

The Group provides project planning, development management and operation services primarily to local governments and leading enterprises for business parks owned by them. The Group intends to actively develop such light-asset business and enhance the proportion of the revenue and profit of such business. As of 30 June 2016, the Group was providing development management services for four business park projects with a total GFA of 2,091,000 sq.m. and two residential projects with a total GFA of 286,000 sq.m.. During the Reporting Period, turnover from developing management services was RMB3.9 million.

Future Prospect

Future Prospect for the Second Half of 2016

Market Environment

2016 is the first year of China's "13th Five-Year Plan", and also the most difficult year for China's industrial upgrade and profound adjustment of economic structure. From the perspectives of various macroeconomic data published by the National Bureau of China in July, the economic concern voiced out by local entities and feedbacks and opinions from international institutions, the economy of China will still be in a profound adjustment period in the second half of 2016. The determination of the central government to arouse vitality in the private sector is evidenced by the opening up of industries once monopolized by state-owned enterprises, such as electricity and medical industries, and repetitive highlights of the ideas of "innovative" and "sharing". We expect that the central government of China as well as governments at various levels will be more open-minded and practical in systematic and political innovations in the future.

In 2016, in response to the demand of the expanding digital industry in China, we will extend our operation of business parks to new cities and districts. An open market environment is beneficial to the expansion of our business scope.

In 2016, we will achieve breakthroughs and development in the whole life cycle operation service sectors of business parks in depth and breadth.

Strategies of the Group

De-stocking and maintaining steady cash flow

Our self-developed and self-owned heavy asset projects mainly located in 7 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Ezhou, Huangshi and Huanggang. In addition, we have projects in 4 cities, including Xi'an, Beihai, Hainan and Wenzhou, through acquisition of China Electronics Technology Development Co., Ltd. ("**CEC Technology**"). Based on the current divided trend of China's office market, we will continue to adopt active marketing measures to de-stock and increase the sales of completed properties, thereby maintaining steady cash flow.

Quickly Occupying the Top Position in Innovation led by OVU Maker Star

"OVU Maker Star" is a super incubator forged by the Group by integrating superior resources based on the idea of "Sharing Economy" and the model of "Space+Venture". We successfully operated an area of over 43,900 sq.m. in Wuhan, Ezhou, Qingdao, Huangshi and Hefei. Nearly one hundred applications received by the Group from entrepreneurial teams waiting to settle in have indicated great vitality of the product series and huge demand for market promotion. In the second half of 2016, "OVU Maker Star" will accelerate its deployment and cover dense cities with innovation resources, such as Beijing, Shanghai, Shenzhen, Chengdu and Dongguan, as soon as possible. The operation area has reached 100,000 sq.m. with 5,000 premises, and thus a nationwide innovative incubation network has been formed. By then, as a new brand operated by the Group's industrial park and integrated with innovation resources, "OVU Maker Star" will soon reflect the market value of industrial park ecology established by the Internet epoch.

Expanding Market Size of DHC Business in an orderly manner

The Group's DHC power service system has its unique core technology and mature business model. Based on the Chinese government's encouragement and supportive attitude towards new energy as well as the gap in the new energy service market in China, the Group believes that there will be promising market prospects and competitive advantages for our DHC business in a long period of time in the future. In this respect, the Group will accelerate promotion of DHC business across the country through strategic cooperation model with regional leading enterprises and become the bellwether of district heating cooling energy service market in China.

Rapidly establishing and improving a "1+4" smart business park whole life cycle management cloud platform

"1" represents development and establishment of cloud platform for smart business park. The platform is composed of an investment decision system based on industry practices and a project management visualized system based on Building Information Modeling ("**BIM**"). After the establishment of the platform, not only can it provide the bases for decision making and management for our newly developed projects in the future, but also provide estate development and investor services for vast industries which intend to invest in the development. "4" emphasizes on the 4 main operation service systems of smart business park, namely wide area networks for Internet of Things cloud platform, facilities and equipment management cloud platform, office sharing cloud platform and resources management cloud platform. These 4 service systems consolidate our existing offline resources such as properties management, equipment management, OVU Maker Star, investment incubator service platform, DHC services. At the same time, it also consolidates other external resources, connecting online software operation platforms such as Parks Access and Maker Star, and achieving coordinated management both online and offline.

Expand Smart City Business to a wider coverage of cities and districts

Focused on the international leading low energy Internet-of-things technology, Huilian Infinite Technology Co., Ltd. of the Group has established the capacity to construct a Smart City system and to provide operation services. Currently, the Company has established showcases in Wuhan and Huangshi and expanded its business in Shanghai, Xi'an and Shenyang etc.. The Company will further cooperate with China Electronics Group in respect of e-commerce, information safety and mega-data business in the future, with the view to engaging in urban operation and management in a wider scale and space.

Financial Review

Revenue

The Group generated revenue from sales of properties in business parks, business operation services, construction contracts, property leasing and development management services. During the Reporting Period, revenue of the Group amounted to approximately RMB780.7 million, which was mainly attributable to the sales of properties in the Group's projects.

The Group's revenue by operating segment is as follows:

	Six months ended 30 June			
	2016		2015	
	Revenue	**% of total Revenue**	Revenue	% of total Revenue
	RMB'000		*RMB'000*	
Property development	**508,099**	**65.1%**	270,942	63.3%
Construction contracts	**70,420**	**9.0%**	29,167	6.8%
Development management services	**3,918**	**0.5%**	3,868	0.9%
Property leasing	**37,050**	**4.7%**	15,883	3.7%
Business operation services	**161,256**	**20.7%**	108,114	25.3%
Total	**780,743**	**100.0%**	427,974	100.0%

Cost of Sales

Cost of sales comprised primarily (i) cost of properties sold in respect of the Group's property development business (mainly including land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services (mainly including construction costs for decoration and improvement services provided by Wuhan Lido Technology Co., Ltd.), and (iii) other costs relating to other service businesses (including business operation services, construction contract and development management services). During the Reporting Period, cost of sales of the Group accounted for approximately 81.9% of its revenue.

During the Reporting Period, cost of sales of the Group amounted to RMB639.3 million, representing an increase of RMB391.3 million or approximately 157.8% over the same period in 2015, primarily due to (i) an increase in area of delivered properties during the current period, (ii) an increase in construction cost of saleable properties.

Gross Profit and Gross Profit Margin

During the Reporting Period, overall gross profit of the Group decreased by RMB38.5 million to RMB141.5 million from RMB180.0 million in the same period in 2015. Overall gross profit margin decreased to 18.1% in the first half of 2016 from 42.1% in the same period in 2015, mainly due to (i) the lower gross profit margin of products of OVU Science and Technology City and Lido 2046 project; (ii) final settlement of the cost of Lido 2046 project has completed, of which unit cost increased as compared to 2015, and the sales cost of properties carried forward in the previous year has credited to the current period.

Other Income and Gains

During the Reporting Period, other income of the Group decreased by RMB128.3 million, to approximately RMB130.1 million from approximately RMB1.8 million in the same period in 2015.

Other gains of the Reporting Period comprise primarily the gains on disposal of subsidiaries.

Selling and Distribution Expenses

During the Reporting Period, selling and distribution expenses of the Group increased by RMB14.3 million to RMB45.0 million from RMB30.7 million in the same period in 2015, primarily due to (i) the increase in selling expenses relating to the projects of Wuhan Optics Valley Union Group Company Limited, a subsidiary of the Group as most of them were completed during the Reporting Period; (ii) the increase in selling expenses arising from the newly established subsidiaries of the Group such as Wuhan Echoliv Idea Technology Company Limited and Wuhan Triples Information Technology Company Limited.

Administrative Expenses

During the Reporting Period, administrative expenses of the Group increased by RMB31.2 million to RMB114.6 million from RMB83.4 million in the same period in 2015, which was primarily due to (i) an increase in the staff headcounts of Wuhan Lido Property Management Co., Ltd, resulting in a higher cost; (ii) the increase in administrative expenses relating to the projects of Wuhan Optics Valley Union Group Company Limited, a subsidiary of the Group as most of them were completed during the Reporting Period, and (iii) the increase in administrative expenses arising from the newly established subsidiaries of the Group such as Wuhan Echoliv Idea Technology Company Limited and Wuhan Triples Information Technology Company Limited.

Decrease in Fair Value Gains on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties decreased by RMB42.3 million to RMB85.7 million from RMB128.0 million in the same period in 2015, which was primarily due to (i) a larger increase in area of investment properties held in the same period of 2015 as compared to the beginning of the year; (ii) higher cost incurred by the investment properties newly acquired during the period.

Income Tax

During the Reporting Period, income tax expenses of the Group decreased by RMB39.5 million to RMB38.9 million from RMB78.4 million in the same period in 2015, which was primarily due to the combining effects of (i) an increase of RMB8.6 million in the PRC enterprise income tax, mainly due to an increase in the revenue from disposal of two subsidiaries, resulting in an increase in PRC enterprise income tax; (ii) for the period ended 30 June 2016, land appreciation tax decreased by RMB22.8 million on settlement basis as compared with the corresponding period in 2015, mainly due to a significant decrease in gross profit margin of property development projects in the Reporting Period; and (iii) deferred income tax expense decreased by RMB25.3 million as compared with the corresponding period in 2015, mainly due to a decrease in fair value gains on investment property in the current period, resulting in a decrease in calculation of corresponding deferred tax.

Profit for the Reporting Period

During the Reporting Period, the profit attributable to shareholders of the Group increased from RMB117.9 million in the same period in 2015 by RMB3.7 million to RMB121.6 million, and the basic earnings per share increased by 2.4% from RMB2.95 cents in the first half of 2015 to RMB3.02 cents in the same period in 2016.

Liquidity and Capital Resources

The Group uses cash primarily to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its property developments, service its indebtedness, and fund its working capital and normal recurring expenses. The Group primarily finances its expenditures through internally generated cash flows, being primarily cash generated through pre-sale and sale of its properties (including progress payments from customers of the customized developments and sales deposits from customers of pre-sold properties), and proceeds from bank loans and other borrowings.

During the Reporting Period, the Group's net cash inflow from operating activities was RMB182.6 million. The cash was mainly generated from the development and sale of projects, such as Wuhan Creative Capital, Wuhan Lido 2046, Heifei Financial Harbour, Qingdao OVU International Marine Information Harbour, Ezhou OVU Science and Technology City, Huangshi OVU Science and Technology City and Shenyang OVU Science and Technology City.

The Group's net cash inflow of financing activities was RMB528.8 million. Cash inflow from financing activities was mainly derived from the proceeds from the issue of new shares during the Reporting Period. During the Reporting Period, cash outflow in financing activities was mainly related to repayment of borrowings, interest and payment of dividends.

Indebtedness

The Group's total outstanding borrowings increased by RMB975.8 million from RMB3,375.3 million as at 31 December 2015 to RMB4,351.1 million as of 30 June 2016, which was primarily due to the fact that CEC Technology became the Group's wholly-owned subsidiary upon completion of the equity transfer on 30 June 2016, and therefore the Group's combined statement of financial position included the financial data of CEC Technology as at 30 June 2016.

As at 30 June 2016, unutilized banking facilities amounted to RMB938.3 million and other borrowings unutilized amounted to RMB800.0 million.

Capital Expenditure and Capital Commitment

During the Reporting Period, capital expenditure of the Group incurred amounted to RMB63.7 million, which was primarily related to expenditure for its construction in progress, purchases of property, plant and equipment in relation to property development and purchases of intangible assets.

As at 30 June 2016, the Group's outstanding balances of its commitments related to property development expenditure were RMB271.6 million.

Employees

As of 30 June 2016, the Group had 4,672 full-time employees. The staff cost of the Group was approximately RMB149.2 million during the Reporting Period. The Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breach and grounds for termination. Remuneration of its employees includes basic wages, allowance, bonuses and other employee benefits. The Group has implemented the measures of employee performance and promotion and the system of employee compensation and benefits. The remuneration package of its employees includes salary and bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority.

Material Acquisitions

On 14 December 2015, China Electronics Corporation Holdings Company Limited ("CECH") (as vendor) entered into an equity interest transfer agreement (the "**Equity Interest Transfer Agreement**") with the Company and AAA Finance & Investment Limited ("**HK 3A**") (an indirect wholly-owned subsidiary of the Company) (as purchasers). Pursuant to the Equity Interest Transfer Agreement, CECH has conditionally agreed to sell, and the Company and HK 3A have conditionally agreed to acquire, 100% of the equity interest in CEC Technology (a wholly-owned subsidiary of CECH). The consideration for the equity transfer pursuant to the Equity Interest Transfer Agreement (the "**Equity Transfer**") was RMB699,854,600, which was satisfied by the allotment and issue of 1,058,530,083 new Shares ("**Consideration Shares**"), credited as fully paid, at the consideration price of HK$0.8 per Consideration Share. The Consideration Shares rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares were issued under a specific mandate approved by the independent Shareholders at an extraordinary general meeting held on 16 March 2016 (the "**EGM**"). The Equity Transfer completed on 30 June 2016.

On 14 December 2015, the Company and CECH entered into a subscription agreement (the "**CECH Subscription Agreement**") pursuant to which the Company has conditionally agreed to allot and issue, and CECH has conditionally agreed to subscribe in cash, 1,491,469,917 new Shares (the "**CECH Subscription Shares**"), credited as fully paid, at the subscription price of HK$0.8 per CECH Subscription Share (the "**CECH Subscription**"). The CECH Subscription Shares rank equally in all respects with Shares in issue on the date of allotment and issue of the CECH Subscription Shares. The CECH Subscription Shares were issued under the specific mandate approved by the independent Shareholders at the EGM. The CECH Subscription completed on 30 June 2016.

On 14 December 2015, the Company and China Everbright Securities (HK) Limited ("**China Everbright**") (as placing agent), entered into a placing agreement (the "**Placing Agreement**") whereby China Everbright has conditionally agreed to place, on a fully underwritten basis, a total of 1,450,000,000 placing shares (the "**Placing Shares**") (failing which China Everbright would subscribe for the untaken Placing Shares) to not less than six placees at the placing price of HK$0.8 per Placing Share (the "**Placing**"). The Placing Shares were issued under the specific mandate approved by the independent Shareholders at the EGM. The Placing completed on 30 June 2016.

Following the completion of the abovementioned transactions, CECH became the largest shareholder of the Company and CEC Technology has become a wholly-owned subsidiary of the Company.

Material Disposals

On 17 November 2015, Wuhan Optics Valley Union Group Company Limited* (武漢光谷聯合集團有限公司, formerly known as 武漢光谷聯合股份有限公司) (as vendor) entered into a sale and purchase agreement with Hubei Science & Technology Investment Group Co., Ltd.* (湖北省科技投資集團有限公司) (as purchaser), for the conditional sale and purchase of 70% of the equity interest of Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd.* (武漢光谷節能科技園有限公司), together with the loan owed by Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. to Wuhan Optics Valley Union Group Company Limited, for a consideration of RMB267,310,067.31.

On the same day, Wuhan Optics Valley Union Group Company Limited (as vendor) entered into another sale and purchase agreement with Hubei Science & Technology Investment Group Co., Ltd. (as purchaser), for the conditional sale and purchase of 70% of the equity interest of Wuhan Financial Harbour Development Co., Ltd.* (武漢金融港開發有限公司), together with the loan owed by Wuhan Financial Harbour Development Co., Ltd. to Wuhan Optics Valley Union Group Company Limited, for a consideration of RMB270,122,238.68.

On 16 January 2016, the underlying transactions pursuant to the abovementioned sale and purchase agreements (the "**Disposals**") were approved by the independent Shareholders of the Company. The Disposals were completed on 18 January 2016. Following the completion of the Disposals, the Group no longer has any shareholding interest in Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. and Wuhan Financial Harbour Development Co., Ltd., and Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. and Wuhan Financial Harbour Development Co., Ltd. ceased to be subsidiaries of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company has adopted the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") set out in Appendix 14 to the Listing Rules on the Stock Exchange as the basis of the Company's corporate governance practices. During the Reporting Period, the Company has been in compliance with the principles and code provisions of the CG Code, except for code provision A.2.1.

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and president (equivalent to the chairman and chief executive as stated in the CG Code) and Mr. Huang Liping currently performs these two roles. The Board believes that vesting the roles of both chairman and president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Company to make and implement decisions promptly and effectively. After taking into account the overall circumstances of the Group, the Board will continue to review and consider the separation of the duties of the chairman and president if and when appropriate.

Mr. Huang Liping, as the chairman, is responsible for ensuring that the Directors will receive adequate information in a timely manner, that good corporate governance practices are established and followed, that all Directors make full and active contribution to the Board's affairs. Mr. Huang Liping also takes the lead to ensure that the Board acts in the best interests of the Company and that there is effective communication with the shareholders of the Company and that their views are communicated to the Board.

Save as disclosed above, throughout the Reporting Period, the Company has been in compliance with all the code provisions set forth in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the standards as set out in the Model Code throughout the Reporting Period.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Audit Committee was established with terms of reference in compliance with the CG Code, and comprises three members, namely Mr. Leung Man Kit (independent non-executive Director), Ms. Shu Chunping (non-executive Director) and Mr. Qi Min (independent non-executive Director). The Audit Committee has reviewed together with the management and the external auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2016.

DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period. However, the Board has resolved on 18 August 2016 to recommend for declaration and payment of a special dividend (the "**Special Dividend**") of HKD0.03 per share (equivalent to RMB0.026 per share) out of the share premium account of the Company (the "**Share Premium Account**"), subject to the conditions set out below.

Conditions of the Declaration and Payment of the Special Dividend out of the Share Premium Account

The declaration and payment of the Special Dividend out of the Share Premium Account is conditional upon the satisfaction of the following conditions:

(a) the passing of an ordinary resolution by the shareholders of the Company at a general meeting approving the declaration and payment of the Special Dividend out of the Share Premium Account pursuant to the articles of association of the Company; and

(b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the Special Dividend, unable to pay its debts as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the Special Dividend will not be paid.

Subject to the fulfilment of the above conditions, the Special Dividend is expected to be distributed on or before Sunday, 30 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 30 September 2016.

Reasons for and Effect of the Declaration and Payment of the Special Dividend out of the Share Premium Account

The Board considers it appropriate to pay the Special Dividend to reward for the support of the shareholders of the Company. The declaration and payment of the Special Dividend does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the Shares or result in any change in the trading arrangements in respect of the shares.

After taking into consideration of the existing cash flow of the Group, the Board considers that the Company has sufficient cash flow to pay the Special Dividend. The declaration and payment of the Special Dividend will not have any material adverse effect on the financial position of the Group.

The Directors consider that the declaration and payment of the Special Dividend is in the interests of the Company and its shareholders as a whole.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting will be convened on Thursday, 22 September 2016 (the "**EGM**") to consider and, if thought fit, to approve the declaration and payment of the Special Dividend out of the Share Premium Account. No Shareholder is required under the Listing Rules to abstain from voting on the proposed ordinary resolution at the extraordinary general meeting.

A circular containing, *inter alia*, further information about the Special Dividend and the notice of the extraordinary general meeting will be despatched to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 September 2016 to Thursday, 22 September 2016 (both dates inclusive) and from Thursday, 29 September 2016 to Friday, 30 September 2016 (both dates inclusive), during which periods no transfer of shares will be registered.

For determining the eligibility to attend and vote at the EGM of the Company, shareholders of the Company must lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 September 2016.

In order to qualify for the Special Dividend, shareholders of the Company must lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at the above mentioned address for registration not later than 4:30 p.m. on Wednesday, 28 September 2016.

PUBLICATION OF INTERIM RESULTS AND 2016 INTERIM REPORT

This announcement is published on the websites of the Company (http://www.ovuni.com) and the Stock Exchange (http://www.hkexnews.hk). The 2016 interim report will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange as and when appropriate.

By order of the Board
Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Wuhan, the People's Republic of China
18 August 2016

As at the date of this announcement, the Directors of the Company are Mr. HUANG Liping, Mr. HU Bin and Ms. CHEN Huifen as executive Directors; Mr. LU Jun, Ms. SHU Chunping and Mr. ZHANG Jie as non-executive Directors; Mr. QI Min, Mr. LEUNG Man Kit and Ms. ZHANG Shuqin as independent non-executive Directors.