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中电光谷

CEC OPTICS VALLEY

China Electronics Optics Valley Union Holding Company Limited
中 電 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 2017

The board (the "**Board**") of directors (the "**Directors**") of China Electronics 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 2017 (the "**Reporting Period**"), together with the comparative figures for the corresponding period of 2016 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 2017 – unaudited
(Expressed in Renminbi)

		Unaudited Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**1,304,230**	780,743
Cost of sales		**(819,032)**	(639,268)
Gross profit		**485,198**	141,475
Other income and (losses)/gains - net		**(7,189)**	130,090
Selling and distribution expenses		**(41,047)**	(44,964)
Administrative expenses		**(115,478)**	(114,555)
Other expenses		**(52)**	(758)
Operating profit before changes in fair value of investment properties		**321,432**	111,288
Fair value gains on investment properties	*9*	**107,492**	85,667
Operating profit after changes in fair value of investment properties		**428,924**	196,955
Finance income	*5(a)*	**29,457**	7,095
Finance costs	*5(a)*	**(49,418)**	(38,195)
Net finance costs		**(19,961)**	(31,100)
Share of profits of associates	*10*	**20,853**	267
Share of losses of joint ventures		**(754)**	(1,704)
Profit before income tax		**429,062**	164,418
Income tax expense	*6*	**(211,179)**	(38,914)
Profit for the period		**217,883**	125,504
Profit attributable to:			
– Owners of the Company		**186,586**	121,607
– Non-controlling interests		**31,297**	3,897
Profit for the period		**217,883**	125,504
Basic and diluted earnings per share (RMB cents)	*8*	**2.38**	3.02

Interim consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2017 – unaudited
(Expressed in Renminbi)

	Unaudited	
	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period	**217,883**	125,504
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
– Revaluation of property, plant and equipment, net of tax	**3,173**	–
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**(8,653)**	6,514
Other comprehensive (loss)/income for the period, net of tax	**(5,480)**	6,514
Total comprehensive income for the period	**212,403**	132,018
Attributable to:		
– Owners of the Company	**181,106**	128,121
– Non-controlling interests	**31,297**	3,897
Total comprehensive income for the period	**212,403**	132,018

Interim consolidated statement of financial position
At 30 June 2017 – unaudited
(Expressed in Renminbi)

	Note	**At 30 June 2017** *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**312,949**	407,575
Investment properties	*9*	**2,026,650**	2,220,540
Land use rights		**–**	2,207
Intangible assets		**10,081**	4,515
Investments in associates	*10*	**1,172,932**	444,715
Investments in joint ventures		**61,476**	168,153
Available-for-sale financial assets		**10,000**	10,000
Trade and other receivables	*14*	**177,682**	252,318
Deferred income tax assets		**22,465**	45,077
		3,794,235	3,555,100
Current assets			
Properties under development	*11*	**1,450,698**	1,483,295
Completed properties held for sale	*12*	**2,583,825**	2,935,645
Inventories and contracting work-in-progress	*13*	**141,538**	130,429
Trade and other receivables	*14*	**1,552,277**	1,412,645
Current income tax assets		**11,205**	5,318
Available-for-sale financial assets		**–**	6,000
Restricted cash		**265,005**	208,904
Cash and cash equivalents		**1,807,526**	1,812,583
		7,812,074	7,994,819
Non-current assets classified as held for sale		**25,400**	28,200
		7,837,474	8,023,019
Current liabilities			
Trade and other payables	*15*	**1,643,088**	1,711,231
Corporate bonds		**29,400**	7,350
Bank and other borrowings		**1,699,680**	1,588,180
Current income tax liabilities		**222,631**	271,068
Current portion of deferred income		**3,982**	4,330
		3,598,781	3,582,159
Net current assets		**4,238,693**	4,440,860
Total assets less current liabilities		**8,032,928**	7,995,960

	Note	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current liabilities			
Corporate bonds		**574,439**	569,573
Bank and other borrowings		**896,580**	1,064,820
Deferred income tax liabilities		**235,535**	239,682
Non-current portion of deferred income		**35,838**	38,969
		1,742,392	1,913,044
Net assets		**6,290,536**	6,082,916
Equity			
Share capital	*16*	**658,680**	658,680
Treasury shares	*16*	**(130,993)**	(110,105)
Reserves		**3,300,300**	3,448,902
Retained profits		**1,880,461**	1,693,875
Total equity attributable to owners of the Company		**5,708,448**	5,691,352
Non-controlling interests		**582,088**	391,564
Total equity		**6,290,536**	6,082,916
Total equity and non-current liabilities		**8,032,928**	7,995,960

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Electronics Optics Valley Union Holding Company Limited (the "**Company**", formerly known as "**Optics Valley Union Holding Company Limited**") and its subsidiaries (together, the "**Group**") are principally engaged in development of theme 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 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 shares were listed on the main board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**").

This interim financial information is presented in Renminbi ("**RMB**"), unless otherwise stated.

The interim financial information was approved for issue on 17 August 2017 and has not been audited.

Key events

(a) Changes in ownership interests in a subsidiary without change of control

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited (the "**Vendor**"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with a third party purchaser and China Electronics Technology Development Co., Ltd. ("**CEC Technology**"), pursuant to which the Vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase the 50% of the equity interest in CEC Technology, for a consideration of RMB350 million. Pursuant to Equity Transfer Agreement, CEC Technology will continue to be a subsidiary of the Company upon completion of the transaction. This transaction is treated as a change in ownership interests in a subsidiary without change of control. The transaction was completed on 17 August 2017.

(b) Major business combinations

On 5 May 2017, the Group acquired 60% equity interest in Growing Business Innovation and Guarantee Co., Ltd. ("**GBIG Company**"), a company which is engaged as a financing guarantee provider, for consideration of RMB60 million. Accordingly, GBIG Company became a subsidiary of the Company. The acquisition is expected to broaden the Group's comprehensive services to industrial park operating services.

On 30 June 2017, Hubei Han Bo Yuan Thermal Equipment Company Limited ("**Hubei HBY Company**"), a company that is a thermal equipment provider, enlarged its registered capital from RMB11 million to RMB22.45 million. On the same date, the Group contributed RMB15,457,500 to acquire all new registered capital and obtained 51% equity interest in Hubei HBY Company. Accordingly, Hubei HBY Company became a subsidiary of the Company. The acquisition is expected to broaden the Group's comprehensive services to industrial park operating services.

(c) ***Disposal of a subsidiary with loss of control***

On 18 January 2017, the Group disposed of its 70% equity interest in China Electronics Corporation Beihai Industry Park Development Co., Ltd, a wholly-owned subsidiary, which is engaged in property development business in the PRC, for a cash consideration of RMB196 million.

(d) ***Disposal of a joint venture***

On 30 June 2017, the Group disposed of its entire 28.9% equity interest in Guangxi CEC Future Investment Land Co., Ltd ("**Guangxi Future Land**"), a joint venture, which is engaged in property development business in the PRC, for a cash consideration of RMB80,370,000.

(e) ***Deemed partial disposal of an associate***

On 24 January 2017, Hainan Resort Software Community Group Co., Ltd ("**Hainan Software Community**"), an associate of the Group, enlarged its registered capital from RMB160 million to RMB1,600 million, out of the new registered capital of Hainan Software Community amounting to RMB1,440 million, RMB256 million was contributed by the Group through capitalising a receivable from Hainan Software Community amounting to RMB0.4 billion, while the remaining new registered capital of Hainan Software Community amounting to RMB1,184 million was contributed by certain independent investors by injecting a business with fair value of RMB2.1 billion and cash of RMB0.6 billion. Upon the completion of this transaction, the Group's equity interest in Hainan Software Community was diluted from 40% to 20%, while the Group still retain significant influence in Hainan Software Community.

2 BASIS OF PREPARATION

This 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, including compliance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

(a) Amendments to IFRSs effective for the financial year beginning on 1 January 2017 do not have a material impact on the Group.

(b) The following are new and amended standards that have been issued but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
IFRS 9	Financial instruments	1 January 2018
IFRS15	Revenue from contracts with customers	1 January 2018
IFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

None of the above new standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 15 set out below:

The International Accounting Standards Board ("**IASB**") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that are likely to be affected:

- Revenue from pre-sales of properties under development may not be recognised at a point in time. Instead, some may be resulted in recognition of revenue over a period of time depending on the terms of the contract,

- The timing of revenue recognition for sale of a completed property, which is currently based on whether significant risk and reward of ownership of properties transfer, may also need to be revisited under the control transfer model, and

- The Group currently offers different payment plans to customers, which may have to adjust the transaction price for revenue recognition when significant financial component exists.

At this stage, the Group is not able to quantify the impact of the new standard on the Group's consolidated financial statements. The Group is performing a more detailed assessment on the impact to the Group.

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

4 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). At 30 June 2017, the Group has the following four segments:

- Industrial park development: this segment develops and sells industrial parks and ancillary residential properties. It also includes leasing self-owned park properties to generate rental income and capital gains from the appreciation in the properties' values in the long term.

- Construction and management services: this segment provides services relating to the construction 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. It also provides project management and consultation service for the certain projects under construction.

- Industrial park operation services: this segment provides property management service, district heating and cooling service and other services for industrial parks.

- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management considers this segment not reportable as at 30 June 2017 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

(a) Segment results

The measure used for assessing the performance of the operating segments is operating profit as adjusted by excluding fair value gains on investment properties. The Group's most senior executive management does not assess the assets and liabilities of the operating segments.

Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable 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 2017

	Industrial park development *RMB'000*	Construction and management services *RMB'000*	Industrial park operation services *RMB'000*	Total *RMB'000*
Segment revenue	**990,432**	**206,837**	**194,828**	**1,392,097**
Inter-segment revenue	**(5,582)**	**(63,103)**	**(19,182)**	**(87,867)**
Revenue from external customers	**984,850***	**143,734**	**175,646**	**1,304,230**
Segment results	**316,248**	**21,852**	**743**	**338,843**
Depreciation and amortisation	**(9,376)**	**(5,823)**	**(2,212)**	**(17,411)**

For the six months ended 30 June 2016

	Industrial park development *RMB'000*	Construction and management services *RMB'000*	Industrial park operation services *RMB'000*	Total *RMB'000*
Segment revenue	546,810	134,325	183,609	864,744
Inter-segment revenue	(1,661)	(59,987)	(22,353)	(84,001)
Revenue from external customers	545,149*	74,338	161,256	780,743
Segment results	89,524	(879)	40,227	128,872
Depreciation and amortisation	(11,065)	(4,745)	(1,774)	(17,584)

* Includes revenue from sales of properties amounting to RMB931,165,000 for the six months ended 30 June 2017 (for the six months ended 30 June 2016: RMB508,099,000).

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Revenue		
Segment revenue	**1,392,097**	864,744
Elimination of inter-segment revenue	**(87,867)**	(84,001)
Revenue	**1,304,230**	780,743
Profits		
Segment profits derived from Group's external customers	**338,843**	128,872
Fair value gains on investment properties	**107,492**	85,667
Share of profits of associates	**20,853**	267
Share of losses of joint ventures	**(754)**	(1,704)
Finance income	**29,457**	7,095
Finance costs	**(49,418)**	(38,195)
Depreciation and amortisation	**(17,411)**	(17,584)
Income tax expense	**(211,179)**	(38,914)
Profit for the period	**217,883**	125,504

5 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
(a) Finance income/(costs):		
Finance income:		
Interest income	**11,238**	6,320
Interest income from entrusted loans to associates	**16,504**	–
Income from available-for-sale financial assets	**1,715**	775
Sub-total	**29,457**	7,095
Finance costs:		
Interest expenses	**(65,687)**	(111,085)
Capitalised interest expenses	**16,271**	73,373
	(49,416)	(37,712)
Net foreign exchange losses	**(2)**	(483)
Sub-total	**(49,418)**	(38,195)
Net finance costs	**(19,961)**	(31,100)

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**152,620**	140,124
Contributions to defined contribution retirement schemes	**10,991**	9,104
	163,611	149,228

		Six months ended 30 June	
		2017	2016
		RMB'000	*RMB'000*
(c)	**Other items:**		
	Depreciation	**17,012**	17,200
	Amortisation	**399**	384
	Cost of properties sold	**546,859**	490,492
	Cost of construction and goods sold	**131,548**	56,886
	Rentals income from investment properties	**(54,777)**	(37,050)
	Losses/(gains) on disposal of subsidiaries	**8,118**	(128,559)
	Operating lease charges	**382**	1,496

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
PRC Corporate Income Tax ("**CIT**") *(Note (ii))*	**91,036**	26,711
PRC Land Appreciation Tax ("**LAT**") *(Note (iii))*	**86,770**	4,960
	177,806	31,671
Deferred income tax	**33,373**	7,243
	211,179	38,914

Notes:

(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 2016: nil).

(ii) PRC CIT

Under the PRC CIT Law effective from 1 January 2008, 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%. During the period ended 30 June 2017, the directors assessed the cash requirements of the Group and the dividend policies of its major subsidiaries established in the PRC, based on the Group's current business plan and financial position, the directors considered that the retained earnings of the PRC subsidiaries as at 30 June 2017 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

7 DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2017.

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 RMB186,586,000 (six months ended 30 June 2016: RMB121,607,000). The weighted average number of ordinary shares for the six months ended 30 June 2017 is approximately 7,846,779,270 (six months ended 30 June 2016: 4,021,978,022).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2017 and the six months ended 30 June 2016 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 2017 by Cushman & Wakefield International Properties Advisers ("C&W"), an independent firm of surveyors. The valuation was carried out by C&W 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, C&W 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 2017, a total gain of RMB107,492,000 (six months ended 30 June 2016: RMB85,667,000), and deferred tax thereon of RMB26,873,000 (six months ended 30 June 2016: RMB21,417,000), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2017, certain investment properties of the Group with carrying value of RMB1,302,800,000 (31 December 2016: RMB1,082,220,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

10 INVESTMENT IN ASSOCIATES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Beginning of the period	**444,715**	13,215
Acquisition of a subsidiary	**–**	433,002
Transfer from investment in a subsidiary	**85,510**	–
Transfer from available-for-sale financial assets	**–**	3,000
Other additions	**592,380**	30,541
Share of post-tax profits of associates	**20,853**	267
Gains from deemed partial disposal	**29,474**	–
End of the period	**1,172,932**	480,025

11 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**697,029**	551,566
Expected to be recovered after more than one year		
Properties under development for sale	**753,669**	931,729
	1,450,698	1,483,295

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

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
In the PRC, with lease term of 40 years or more	**444,332**	670,898

12 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.

13 INVENTORIES AND CONTRACTING WORK-IN-PROGRESS

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Gross amounts due from customers for contract work *(Note (i))*	**108,940**	108,023
Work in progress	**9,125**	8,340
Finished goods	**21,865**	12,943
Raw materials	**1,608**	1,123
	141,538	130,429

Note:

(i) Gross amounts due from customers for contract work

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cost plus attributable profit less foreseeable losses	**283,958**	303,210
Progress payments received and receivable	**(175,018)**	(195,187)
Contracting work-in-progress	**108,940**	108,023
Representing:		
Gross amounts due from customers for contract work included in inventories and contracting work-in-progress	**108,940**	108,023

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Current portion		
Trade and bill receivables *(Note (i))*	**638,286**	539,330
Amounts due from related parties	**177,234**	442,156
Deposits	**159,640**	15,000
Prepayments for construction cost and raw materials	**60,845**	152,804
Consideration receivable from disposal of a joint venture	**60,370**	–
Consideration receivable from disposal of a subsidiary	**50,000**	–
Prepaid business tax and other taxes	**16,029**	6,911
Interest receivables from entrusted loans to an associate	**–**	7,568
Others	**389,873**	248,876
	1,552,277	1,412,645
Non-current portion		
Prepayments for acquisition of certain properties	**44,000**	44,000
Prepayments for acquisition of certain equity interests	**133,682**	208,318
	177,682	252,318
Total	**1,729,959**	1,664,963

Trade debtors and bills receivable are due within 3 months to 12 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 2017 *RMB'000*	At 31 December 2016 *RMB'000*
Within 1 month	**249,259**	134,433
1 to 3 months	**29,118**	71,051
3 to 6 months	**47,092**	78,384
Over 6 months	**312,817**	255,462
	638,286	539,330

Note:

(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 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.

15 TRADE AND OTHER PAYABLES

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
Trade creditors and bills payable	**860,561**	990,100
Receipts in advance	**425,888**	348,881
Amounts due to related parties	**91,146**	42,813
Accrued payroll	**11,704**	34,126
Other payables and accruals	**253,789**	295,311
Total	**1,643,088**	1,711,231

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 2017	At 31 December 2016
	RMB'000	*RMB'000*
Within 1 month	**347,992**	491,727
1 to 12 months	**330,166**	282,088
Over 12 months	**182,403**	216,285
	860,561	990,100

16 SHARE CAPITAL AND TREASURY SHARES

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 in year 2016, 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 2017			At 31 December 2016		
	No. of Shares		**Treasury shares**	No. of Shares		Treasury Shares
	('000)	***RMB'000***	***RMB'000***	*('000)*	*RMB'000*	*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	**8,000,000**	**658,680**	**(110,105)**	4,000,000	316,800	–
Issue of new shares	**–**	**–**	**–**	4,000,000	341,880	–
Shares repurchased for cancellation (a)	**–**	**–**	**(20,888)**	–	–	–
Shares purchased for the share award scheme (b)	**–**	**–**	**–**	–	–	(110,105)
At the end of the year/ period	**8,000,000**	**658,680**	**(130,993)**	8,000,000	658,680	(110,105)

(a) During the period ended 30 June 2017, the Company repurchased a total of 33,304,000 shares at a total consideration of HK$23,878,280 (equivalent to RMB20,888,000) for cancellation purpose. Such shares were cancelled on 26 July 2017.

(b) A share award scheme was adopted by the Company on 22 December 2016 (the "**Share Award Scheme**"). During 2016, a trustee appointed by the Company for the purpose of the Share Award Scheme purchased a total of 152,998,000 shares at a total consideration of HK$122,928,380 (equivalent to RMB110,105,000) according to the Share Award Scheme. As at 30 June 2017, none of the 152,998,000 shares has been granted.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL INFORMATION

The independent auditors of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

HIGHLIGHTS OF THE FIRST HALF OF 2017

- The Group recorded revenue of RMB1,304.2 million, representing an increase of 67.0% as compared with the same period in 2016.

- As of 30 June 2017, profits of the year of the Group amounted to RMB217.9 million, representing an increase of 73.6% as compared with the same period in 2016, among which profits attributable to owners amounted to RMB186.6 million, representing an increase of 53.4% as compared with the same period in 2016.

- The Group secured contracted sales of properties of RMB1,139.1 million, representing an increase of 14.3% as compared with the same period in 2016; and the area of contracted sales was approximately 166,000 sq.m., representing an increase of 27.4% as compared with the same period in 2016.

- As of 30 June 2017, the Group recorded gross profit margin of 37.2%, increased by 19.1% as compared to the overall gross profit margin of 18.1% during the same period of 2016.

BUSINESS REVIEW

As of 30 June 2017, the Group, being a leading development and operation services enterprise in themed business parks in China, developed or operated various industrial parks in 15 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Tianjin, Dongying and Luoyang. The Group's business mainly consists of 4 parts: (i) industrial park development business (including development and sales of industrial parks, development and sales of ancillary residential properties and lease of self-owned industrial park properties), (ii) construction and management services (including governmental procurement services, PPP service, EPC integrated design and construction service, project management and consultation services), (iii) industrial park operation services (including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, venture capital service, real estate marketing and agency, group catering, hotel, human resources and training for industrial parks, as well as financial services for industrial parks), and (iv) industrial investment (industrial-related strategic investments in various themed parks).

Revenue by Business Segments

	For the year ended 30 June			
	2017		2016	
	Revenue (RMB'000)	**% of total**	Revenue (RMB'000)	% of total
Industrial Park Development	**984,850**	**75.5%**	545,149	69.8%
Sales of Industrial Park Properties	**899,325**	**69.0%**	224,100	28.7%
Sales of Ancillary Residential Properties	**31,840**	**2.4%**	283,999	36.4%
Self-owned Industrial Park Properties Leasing	**53,685**	**4.1%**	37,050	4.7%
Construction and Management Services	**143,734**	**11.0%**	74,338	9.5%
Industrial Park Operation Services	**175,646**	**13.5%**	161,256	20.7%
Property Management Service	**104,902**	**8.1%**	93,806	12.0%
District Heating and Cooling Service	**14,712**	**1.1%**	13,372	1.7%
Others	**56,032**	**4.3%**	54,078	6.9%
Total	**1,304,230**	**100.0%**	780,743	100.0%

Industrial Park Development Business

In the first half of 2017, the income from the industrial park development business of the Group was RMB984.9 million, representing a growth of 80.7% as compared to the same period of 2016. Among which, the sales income from industrial park properties was RMB899.3 million, representing a growth of 301.3%, with a booked sales area of 127,000 sq.m., representing an increase of 73.2% as compared to the same period last year, which was mainly attributable to the sales of Hefei Financial Habour Project. Ancillary residential properties achieved a slightly dropping sales income of RMB31.8 million as compared to the same period last year, which was mainly due to ancillary residential properties basically having been sold out by 2017. Self-owned industrial park properties leasing income amounted to RMB53.7 million, representing a growth of 44.9%, with a lease area of 256,000 sq.m. and occupancy rate of over 91%.

For the six months ended 30 June 2017, properties sold and delivered include:

		2017			2016		
Properties sold and delivered	**City**	**Revenue** *(RMB'000)*	**GFA sold and delivered** *(sq.m.)*	**Recognized average selling price** *(RMB per sq.m.)*	Revenue *(RMB'000)*	GFA sold and delivered *(sq.m.)*	Recognized average selling price *(RMB per sq.m.)*
Wuhan Optics Valley Financial Harbour (Phase II)	Wuhan	**–**	**–**	**–**	38,687	7,332	5,276
Wuhan Creative Capital (Phase I)	Wuhan	**289,026**	**22,837**	**12,656**	112,906	13,678	8,255
Wuhan Lido 2046	Wuhan	**31,840**	**2,609**	**12,204**	276,114	24,552	11,246
Wuhan Innocenter	Wuhan	**–**	**–**	**–**	3,816	587	6,505
Hefei Financial Harbour	Hefei	**473,798**	**63,032**	**7,517**	–	–	–
Qingdao OVU International Marine Information Harbour	Qingdao	**30,669**	**4,909**	**6,248**	–	–	–
Ezhou OVU Science and Technology City	Ezhou	**63,609**	**20,679**	**3,076**	14,343	5,087	2,820
Huangshi OVU Science and Technology City	Huangshi	**669**	**163**	**4,104**	3,788	895	4,232
Shenyang OVU Science and Technology City	Shenyang	**21,738**	**7,557**	**2,877**	60,683	22,516	2,695
Huanggang OVU Science and Technology City	Huanggang	**19,816**	**7,521**	**2,635**	–	–	–
Other properties	Wuhan	**–**	**–**	**–**	(2,238)	–	–
Total		**931,165**	**129,307**	**7,201**	508,099	74,647	6,807

Sales of Self-owned Industrial Park

In the first half of 2017, the income from self-owned industrial park development business of the Group was mainly generated from Hefei, Wuhan, Qingdao, Shenyang and Ezhou, among which, the sales income from Hefei project reached RMB473.8 million, accounting for 50.9% of the income from sales of industrial park properties; the sales income from Ezhou project reached RMB63.6 million, accounting for 6.8% of the income from sales of industrial park properties; the sales income from Shenyang project was RMB21.7 million, accounting for 2.3% of the income from sales of industrial park properties. Excluding the project in Wuhan, the proportion of sales from projects in other cities had reached 65.5%, surpassing our business in Wuhan continuously. The Group's industrial park development business has achieved satisfying performance in other major cities throughout the nation.

The Group is of the view that, during the Reporting Period, the growth in the sales income from industrial park properties is mainly attributable to the following reasons: (1) recognition from our clients as to the location, design and construction standards of the industrial park properties provided by the Group; (2) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers, and (3) construction and management services and industrial park operation services and the asset-light transition strategy are productive and widely recognized by many owners such as governments, institutions and enterprises and the market.

Summary regarding the sales of properties

For the six months ended 30 June 2017, the details of the Group's contracted sales amount and contracted area of properties are as follows:

	Contracted amount *(RMB'000)*		**Contracted area** *(sq.m.)*	
City and project	**2017**	2016	**2017**	2016
Wuhan Creative Capital	**288,857**	188,994	**25,946**	20,184
Hefei Financial Harbour	**512,137**	255,596	**61,769**	35,071
Qingdao OVU International Marine Information Harbour	**111,249**	53,901	**16,447**	8,053
Qingdao Innocenter	**38,582**	–	**6,626**	–
Ezhou OVU Science and Technology City	**105,354**	35,324	**30,604**	9,869
Huangshi OVU Science and Technology City	**717**	4,969	**163**	1,068
Shenyang OVU Science and Technology City	**34,675**	31,298	**11,517**	10,556
Huanggang OVU Science and Technology City	**31,249**	–	**10,912**	–
Wuhan Lido 2046	**1,788**	294,073	**136**	23,272
Wuhan Optics Valley Financial Harbour (Phase II)	**–**	44,776	**–**	5,655
Wuhan Innocenter	**–**	41,584	**–**	5,810
CEC Xi'an Industrial Park	**–**	46,197	**–**	10,744
Other projects	**14,500**	–	**1,822**	–
Total	**1,139,108**	996,712	**165,942**	130,282

Development and Progress of Industrial Park Properties

During the Reporting Period, the total area of new development in industrial parks was 157,000 sq.m.. Completed construction area amounted to 57,000 sq.m. As of 30 June 2017, the total area under construction was approximately 473,000 sq.m.

Land Bank

During the Reporting Period, the high quality land bank of the Group was approximately 4,773,000 sq.m., distributed in 12 cities, namely Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan) and Zhuhai. The total land bank area safeguards the sustainability of the Group's industrial park development and sales business in the upcoming five to ten years.

Land Bank Table

An overview of land bank as of 30 June 2017 is as follows:

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank *(sq.m)*
1	Optics Valley Software Park (光谷軟件園)	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbour (Phase I) (金融港一期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II) (金融港二期)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	32,052
4	Creative Capital (創意天地)	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	272,987
5	Wuhan Innocenter (武漢研創中心)	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	203,707
6	Lido Mason (麗島美生)	Wuhan	318 Minzu Avenue, Wuhan, Hubei Province	Residential	50%	524
7	Lido 2046 (麗島2046)	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	16,930
8	Others	Wuhan	N/A	Residential	100%	14,004
9	Qingdao OVU International Marine Information Harbour (青島光谷國際海洋信息港)	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	340,086
10	Qingdao Innocenter (青島研創中心)	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/ Industrial	100%	136,380
11	Qingdao Marine & Science Park (青島海洋科技園)	Qingdao	South of Changjiang West Road, West of Jiangshan South Road, North of Binhai Avenue, Qingdao Economic & Technical Development Zone, Qingdao, Shandong Province	Industrial	100%	197,050

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank *(sq.m)*
12	Huanggang OVU Science and Technology City (黃岡光谷聯合科技城)	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	147,813
13	Shenyang OVU Science and Technology City (瀋陽光谷聯合科技城)	Shenyang	Intersection of Sheng Jing Da Jie and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	127,408
14	Shenyang CEOVU Information Harbour (瀋陽中電光谷信息港)	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	109,528
15	Ezhou OVU Science and Technology City (鄂州光谷聯合科技城)	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	341,387
16	Huangshi OVU Science and Technology City (黃石聯合科技城)	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	181,789
17	Lido Top View (麗都半山華府)	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	17,651
18	Hefei Financial Harbour (合肥金融港)	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	80%	462,596
19	Hainan Resort Software Community (海南生態軟件園)	Chengmai	Southern section situated 0.7km of the Eastern Extension of Nan Yi Ring Road, Chengmai County Old Town Economic Development Zone, Hainan Province	Industrial/ Commercial/ Residential/ Science and Education	20%	901,337
20	Beihai Industrial Park (北海產業園)	Beihai	West of Beihai Avenue, South of Kefu Road, Beihai, Guangxi Province	Industrial	30%	411,992
21	Xi'an Industrial Park (西安產業園)	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	321,695
22	Wenzhou Industrial Park (溫州產業園)	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province	Industrial	60%	399,927
23	Henqin Zhishuyun (珠海橫琴智數雲)	Zhuhai	East of Fubang Road, south of Xingsheng Third Road, west of Fuguo Roadand and north of Xingsheng Second Road, Hengqin New District, Zhuhai, Guangdong province	Industrial	60%	53,618
Total						4,772,614

Self-owned Park Properties Leasing

During the Reporting Period, the lease income of the self-owned park properties was RMB53.7 million, representing an increase of 44.9% as compared with the same period in 2016. The area of the self-owned quality properties reached 256,000 sq.m., with an occupancy rate of over 91%. It brought a stable and sustainable cash flow to the Group, further optimized the model of business solicitation services for parks and continuously promoted brand effectiveness.

Construction and Management Services

Governmental Procurement Service, EPC Integrated Design and Construction Service

In recent years, governmental procurement service, born out of the reform tide of local exploration, has been promoted as a national strategy. The central government and local authorities have issued numerous laws and regulations, particularly in fields such as development of new industrial cities and industrial parks, to support, encourage and standardize governmental procurement, which offered much more opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultation service and the agent construction service experience in various governmental projects, namely Wuhan Biolake, Wuhan Future Science Town, the Company is working wholeheartedly in governmental procurement service to seek a breakthrough in the income size and model.

Meanwhile, we provide government, institutes, and related corporates with a comprehensive EPC integrated design and construction service from design, tender, and procurement to construction through the integration and optimization of the industry chain resource in design institutions and construction subsidiaries under the Group.

Project Management and Consultation Service

During the Reporting Period, the revenue of the consultation and management service of the Group was RMB9.0 million. After a year of establishment and integration, the consultation and management department of the Group has adopted the most suitable business and marketing approach. Successful cases of our service were well received by related government organizations, institutes and enterprises under cooperation.

During the Reporting Period, the Group provided consultation and management service to government organizations and corporate enterprises in places including Hefei Binhu New Area, Wuhan East Lake Hi Tech Development Zone, Yan'an Hi Tech Development Zone, Changchun Beihu Scientific and Technological Development Zone, Anqing Hi Tech Development Zone, Chongqing Shapingba District, and Dongying Economic Development Zone. The total amount of the service contracts was RMB965.4 million. To date, we have entered into consultation and management service agreements for a total of 12 projects in 10 cities covering Tianjin, Hefei, Luoyang, Wuhan, Yan'an, Changchun, Anqing, Chongqing, Dongying and Wenzhou. The business scope includes sections such as preliminary industrial positioning, project planning, design and business solicitation. These agreements established a good foundation for the Group's further advancement in extended businesses such as construction and management service and industrial park operation service.

Industrial Park Operation Services

During the Reporting Period, the revenue of the industrial park operation service of the Group was RMB175.6 million, representing an increase of 8.9% as compared to the same period of 2016. The Group provides a variety of integrated operational service to enterprises stationed in our industrial parks, including property management service, district heating and cooling service, smart management service for facility and equipment, incubator and office sharing service, venture capital service, real estate marketing and agency, group catering, hotel, human resources and training for parks. In terms of composition, the major income sources of the industrial park operational services are property management service and district heating and cooling service, which accounted for 59.7% and 8.4% respectively.

Property Management Service

During the Reporting Period, the revenue from property management service of the Group was RMB104.9 million, representing an increase of 11.8% as compared to the same period of 2016, among which, income from property management service provided to industrial park projects accounted for 45.1% and income from property management service provided to projects excluding the Group's projects accounted for 89.1%. During the Reporting Period, the area of the property management service reached 11,115,000 sq.m., of which the area of corporate customer services accounted for 51.2%.

During the Reporting Period, by leveraging on the Internet-of-Things technology, BIM 3-D visualization technology and mobile Internet technology, the Group carried out a reform in respect of the existing property management model. Such reform enabled the Group to substantially cut down staff costs, improve its management efficiency as well as increase customers' satisfaction.

By the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group initially established its own management model applicable to intelligent business parks. Taking into account both the potential booming prospect of this efficient and visualizable management model and a strong demand from customers, the Group plans to promote this management model in the coming three years and operating income from this business segment is expected to experience rapid growth.

District Heating and Cooling Service

During the Reporting Period, the income of the district heating and cooling supply service (DHC) of the Group was RMB14.7 million. Energy saving and environmental protection are national strategies that have significant bearings on the livelihood of the general public. The Group owns 29 patents relating to energy saving, including the patent for self-developed energy saving and control system. Our DHC energy saving and environmental protection technology, system integration and operation and management capability are of the leading positions in the market. Currently, our business is carried out mainly in Wuhan and Hefei, and we will speed up our pace in implementing the transformation of the DHC energy service business from an endogenous approach to a market-oriented approach. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. With the advantages generated from the strategic cooperation with competitive enterprises within the same district, we strive to occupy the domestic DHC market swiftly and become the leader in China's DHC market.

Smart management service for facility and equipment

During the Reporting Period, the Group's subsidiary, Shenzhen Domainblue Smart Technology Company Limited* (深圳藍域智能科技有限公司), specializing in professional operation of facility and equipment, realized an operating income of RMB2.1 million. The Group adopted a software-oriented development strategy, featuring the characteristics of the Internet era. In 2017, the Group plans to utilize the developed software platform to expand its market and focus on property companies and developers, including software cloud service, management service, and equity cooperation. At the same time, drawing on the support from software research and development capability, we are able to take a gradual step into operation and management of infrastructure in smart city.

Incubator and Office Sharing Service

During the Reporting Period, Wuhan OVU Technology Co., Ltd., a non-wholly owned subsidiary under the Group, was responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB8.4 million.

As of 30 June 2017, there were 20 OVU Maker Star sites distributed in 10 cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, with a management area of up to 200,000 square metres. Among these sites, Wuhan Creative Capital* (武漢創意天地) outlet, Qingdao International Marine Information Harbour* (青島國際海洋信息港) outlet and Huangshi Station* (黃石站點) were rated as incubators of national standard. Among the 20 OVU Maker Star sites, 10 of which are in Wuhan, creating 10,000 jobs, and the average occupancy rate thereof was above 85%. There were accumulatively 500 teams using our services, among which, 15 teams entered the series A round, while 8 teams entered the angel round and 4 teams entered the seed round.

Venture Capital Service

During the first half of 2017, Wuhan Lingdu Entrepreneurship Investment and Management Co., Ltd.* (武漢零度創業投資管理有限公司) ("**Lingdu Capital**"), a non-wholly owned subsidiary under the Group, took full charge in operating the Group's OVU Fund, and was responsible for investment issues relating to high-tech industries, high-return innovation and entrepreneurship projects. Leveraging on the industrial background and abundant capital market resources of both China Electronics Corporation Limited* (中國電子信息產業集團有限公司) and its subsidiaries (together, "**China Electronics Group**") and the Group, Lingdu Capital developed rapidly, with its scale of asset management already reaching RMB2 billion. Lingdu Capital possesses high-quality professional teams in areas such as investment, financing, fund management and project investment, with its core team having extensive experience in entrepreneurship, corporate operation, risk control, investment management as well as abundant experience in both domestic and overseas markets. During the first half of 2017, Lingdu Capital, together with relevant government and other investment institutions, initiated to establish certain funds with a total scale exceeding RMB1.7 billion. As at 30 June 2017, the Group intended to invest a total of approximately RMB370 million.

Other Operation Services

The Group also provided more than ten types of industrial park operation related services, including human resources and training, park financing, group catering, apartment leasing, hotels, real estate agency, recreation and entertainment. It also offers collective household registration services and business and commercial registration services, as well as organizing numerous activities for parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff, helping the Group strengthen its customers' loyalty.

Industrial Investment

During the Reporting Period, the Group and Beijing Youpu Information Technology Limited* (北京友普信息技術有限公司) jointly contributed to the establishment of Hengqin China Electronics Youpu Cloud Data Limited* (橫琴中電友普雲數據有限公司) ("**CE Youpu**"), with an aim to build a solid foundation in industrial technology in the sector of big data and cloud service for the Group's current layout in various businesses such as healthcare big data, intelligent industrial parks and smart city.

CE Youpu has a core technical team with members from the expert team under the National Thousand Talents Program ("千人計劃") of China. With cross-regional IDC, ISP, IP-VPN operating qualifications and over 10 patents and software copyrights, it can provide a comprehensive cloud service solution for customers in the fields of park cloud, hybrid cloud and industry big data based on the customers' complex application scenarios, to meet their one stop IT demands in the planning, deployment and operation during the periods of the business innovation, transformation and upgrading.

FUTURE PROSPECT

Future Prospect for the Second Half of 2017

Macro-Economic Environment

Both the international and domestic economy were in slow recovery as a whole, while the current government leaders vigorously promoted supply-side structural reform whilst attaching more importance to the effectiveness of investment and sustainable development. Government at all levels was further accelerating the transition from old economic drivers to new ones and the economic restructuring and upgrading on the basis of innovation and entrepreneurship, aiming not only to improve economic vitality but also to bring about new development opportunities to enterprises.

A number of institutions predicted that the PRC would experience economic downturn in the second half of 2017. However, the Group believe that although industrial transformation driven by hardware technologies based on integrated circuit and software technologies such as big data, Internet of things, cloud computing has been subverting traditional ways of production, living and consumption and has had an impact on some industries, more new enterprises with new technologies, products, services and models have emerged and developed more rapidly. In addition, government at all levels played an important role in the innovation and entrepreneurship of the society and provided unprecedented policy support for both new and high-tech and high-tech service industries.

Strategies of the Group

Actively Collaborating with the China Electronics Group to Achieve the Cooperation between a State-owned Corporation and a Local Enterprise, and Proactively Satisfying the Demands Arising from the Local Industrial Upgrading

As a key state-owned enterprise under the management of the central government, the China Electronics Group, being the first largest shareholder of the Company, is the largest state-owned IT conglomerate corporation in China with rich industrial resources in the design, research and development and manufacturing of integrated circuits, tablet PC screens, big data applications, software information services and is dedicated to national strategies including developing proprietary and controllable information security products, etc. Leveraging fully on its experience in the development and operation of themed industrial parks, the Company will closely center on industries that China Electronics Group has advantages in and emphasize on five major themes, namely: integrated circuits, healthcare big data, intelligent manufacturing, new smart cities and civil-military integration. This will help seize opportunities and launch industrial parks and service projects in more regions jointly with related companies of the China Electronics Group.

Making Substantial Breakthroughs in Regions with the Most Vigorous Economic Growth in the PRC Together with Strategic Partners

In April 2017, we made a breakthrough in the Guangdong-Hong Kong-Macao Greater Bay Area by acquiring land for projects in Hengqin, Zhuhai after the acquisition and integration with Hengqin China Electronics Youpu Cloud Data Limited. In January 2017, we reached an agreement with Excellence Real Estate Group Limited* (卓越置業集團有限公司) (the "**Excellence Group**"), a leading domestic company engaged in city complex development and operation, to turn CEC Technology into a platform for the strategic cooperation between both parties. Both parties will jointly explore market opportunities in tier one and tier two cities through our professional services in industrial park development and operation and the Excellence Group's abundant experience in the development and operation of urban commercial and office premises and its capital strength. We believe that our cooperation with Excellence Group and other strategic partners will complement our existing business and improve our efficiency in industrial park development and operation. We expect that we will make substantial breakthroughs in key cities and regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta Economic Zone, the Beijing-Tianjin-Hebei Region and the Yangtze River Economic Belt in a year or two.

Enhancing the Investment and Support in Industrial Innovation and Operation Service to Develop an Ecosystem for Industrial Internet

Intelligent industrial and business services with "Internet thinking" is an irresistible trend. With our established industrial investment platform and abundant enterprise customer resources, the Group will continue to increase our investment and support in the intelligent business parks, smart cities, business incubation, energy services and enterprise related services. The Group's aim will be to build an industrial Internet ecosystem with wider coverage, enhance customer satisfaction and loyalty and achieve an open, interconnected, shared and win-win situation.

Innovative Financing Model, Implementation of Expansive Financial Policy and Building Financial Service System in Parks

In 2017, the Group will continue to strive for breakthroughs in scaled financing and financing innovation and support the development of the Group and the development of business operations through a variety of financing. Moreover, we will facilitate the establishment of a mutual insurance model in the parks after the acquisition and reorganization of Growing Business Innovation and Guarantee Co., Ltd. (成長企業創新擔保有限公司). Furthermore, we will also establish a strategic emerging industry investment fund with top-ranking institutions and build a financial service system that combines investment, insurance and lending for enterprises in the parks to further promote the enterprises' development and integrate industrial resources more effectively.

FINANCIAL REVIEW

Revenue

The revenue of the Group is generated from the income from industrial park development business, construction and management service and industrial park operation service. During the Reporting Period, the revenue of the Group was approximately RMB1,304.2 million, representing an increase of 67% as compared with the same period in 2016, which was mainly attributable to the following reasons: (1) recognition from our clients as to the location, design and construction standards of the industrial park properties provided by the Group; (2) the flexible and appropriate business solicitation strategies adopted by the Group in line with the demands of our customers; and (3) construction and management services and industrial park operation services and the asset-light transition strategy are productive and widely recognized by many owners such as governments, institutions, enterprises and the market.

The following table sets forth the revenue of the Group by business segment:

	Six months ended 30 June			
	2017		2016	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial Park Development	**984,850**	**75.5%**	545,149	69.8%
Sales of Industrial Park Properties	**899,325**	**69.0%**	224,100	28.7%
Sales of Ancillary Residential Properties	**31,840**	**2.4%**	283,999	36.4%
Self-owned Industrial Park Properties Leasing	**53,685**	**4.1%**	37,050	4.7%
Construction and Management Services	**143,734**	**11.0%**	74,338	9.5%
Industrial Park Operation Services	**175,646**	**13.5%**	161,256	20.7%
Property Management Service	**104,902**	**8.1%**	93,806	12.0%
District Heating and Cooling Service	**14,712**	**1.1%**	13,372	1.7%
Others	**56,032**	**4.3%**	54,078	6.9%
Total	**1,304,230**	**100.0%**	780,743	100.0%

Cost of Sales

Overview

Cost of sales primarily consisted of (i) cost of properties sold in respect of the Group's industrial park development business (mainly includes 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 includes construction costs for decoration and improvement services provided by Wuhan Lido Technology Company Limited), and (iii) cost of industrial park operation services.

During the Reporting Period, cost of sales of the Group amounted to RMB819.0 million, representing an increase of RMB179.8 million or 28.1% over the same period in 2016, primarily due to an increase in area of delivered properties during the current period.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was RMB485.2 million, representing an increase of RMB343.7 million as compared with the same period in 2016. Overall gross profit margin was 37.2%, recording an increase by 19.1% as compared to 18.1% of last year, mainly due to the higher gross profit margin of Hefei Financial Harbour and Wuhan Creative Capital projects, which contributes a bigger proportion of the revenue.

Other Income and (Losses)/Gains - Net

During the Reporting Period, other income and (losses)/gains – net of the Group was the net loss of RMB7.2 million, representing a decrease of RMB137.3 million as compared with RMB130.1 million in the same period of 2016, primarily due to: (1) recognition of the gains arising from the disposal of equity interests in two then subsidiaries of the Group, namely Wuhan Financial Harbour Development Co., Ltd. and Wuhan Optics Valley Energy Conservation Technology Park Co., Ltd. in the same period of 2016; and (2) the disposal of equity interests of the joint venture, Guangxi Future Land, at a lower price than the carrying amount in this period.

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising and promotional expenses, sales and marketing staff costs, travel and communication expenses, office administration expenses, depreciation expenses and others.

During the Reporting Period, selling and distribution expenses of the Group was RMB41.0 million, representing a decrease of RMB3.9 million as compared with the same period in 2016, primarily due to a decrease in advertising and promotional expenses with many projects of the Group entering the mature stage.

Administrative Expenses

Administrative expenses primarily consisted of administrative staff costs, office administration expenses, travel expenses, meeting and communication expenses, other indirect taxes, depreciation and amortization expenses, professional fees, and others.

During the Reporting Period, administrative expenses of the Group was RMB115.5 million, representing an increase of RMB0.9 million as compared with the same period in 2016, primarily due to an increase of subsidiaries of the Group as compared with the same period last year.

Fair Value Gains on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB107.5 million, representing an increase of RMB21.8 million as compared with the same period in 2016, primarily due to an increase of the area of investment properties newly added by the Group this year.

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB211.2 million, representing an increase of RMB172.3 million as compared with the same period in 2016, which was primarily due to (i) an increase in PRC land appreciation tax expense of RMB81.8 million resulted from the Group's higher gross profit margin in the first half of the year; (ii) an increase in PRC corporate income tax expense of RMB64.3 million; and (iii) an increase in deferred tax expense of RMB26.1 million.

Profit For the Reporting Period

As a result of the foregoing, during the Reporting Period, the profit attributable to owners of the Group was RMB186.6 million, representing an increase of RMB65.0 million as compared with the same period in 2016. After deduction of the post-tax fair value gains on investment properties, the core net profit as at 30 June 2017 was approximately RMB137.3 million, representing an increase of 124.1% as compared with the RMB61.3 million in the same period of 2016.

Liquidity and Capital Sources

The Group primarily uses cash to pay for construction costs, land costs, infrastructure costs and finance costs incurred in connection with its park developments, service its indebtedness, and fund its working capital and normal recurring expenses. The Group primarily generates cash through the pre-sale and sale of its properties, proceeds from bank loans and other borrowings.

In the first half of 2017, the Group's net cash inflow from operating activities was RMB122.7 million, which was mainly cash inflow from sale of projects by the Group, such as Creative Capital, OVU Science and Technology City (Ezhou) project, Qingdao OVU International Marine Information Harbour and Hefei Financial Harbour.

In the first half of 2017, the Group's net cash outflow from financing activities was RMB165,000. Cash inflow from financing activities mainly came from bank borrowings and other borrowings. Cash outflow from financing activities in 2017 was mainly related to repayment of bank and other loans, interest and other borrowing costs and dividend paid.

Indebtedness

The Group's total outstanding indebtedness increased by RMB36.2 million from RMB3,229.9 million as at 31 December 2016 to RMB3,266.1 million as at 30 June 2017.

Capital Expenditures and Capital Commitments

During the Reporting Period, capital expenditure of the Group was RMB18.4 million. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 30 June 2017, the Group's outstanding balances of its commitments related to property development expenditure and investment commitment were RMB662.3 million.

The Group estimates that its capital expenditures and capital commitments will further increase as its business and operation continue to expand. The Group anticipates that these capital expenditures and capital commitments will be financed primarily by bank borrowings and cash flow generated from operating activities. If necessary, the Group may raise additional funds on terms that are acceptable to it.

Employees

As of 30 June 2017, the Group had 4,970 full-time employees. The employment cost of the Group was approximately RMB163.6 million for 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 salaries, allowance, bonuses and other employee benefits. The Group has implemented measures for assessing employee performance and promotion and the system of employee compensation and benefits. The remuneration packages of its employees include salaries and bonuses. In general, the Group determines employee salaries based on each employee's qualification, position and seniority.

Pursuant to the relevant labor rules and regulations in the PRC, the Group participates in statutory contribution pension schemes that are administered and operated by the relevant local government authorities. The Group is required to make contributions to such schemes from 18% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension obligations payable to retired employees. The Group's contributions to the statutory contribution pension schemes are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in such contributions.

MATERIAL DISPOSAL

On 25 January 2017, the Company and China Electronics Optics Valley Union Company Limited, (formerly known as AAA Finance & Investment Limited) (as vendor) entered into an equity transfer agreement with the Excellence Group and CEC Technology, for the conditional sale and purchase of 50% of the equity interest in CEC Technology at a consideration of RMB350.0 million.

On 17 August 2017, the transaction was completed. Following the completion of transaction, CEC Technology will continue to be a subsidiary of the Company.

USE OF PROCEEDS

Reference is made to the joint announcement dated 14 December 2015 issued by the Company and China Electronics Corporation Holdings Company Limited ("**CECH**"), the circular (the "**Circular**") of the Company dated 25 February 2016 and the announcements of the Company dated 16 March 2016, 14 June 2016, 30 June 2016 and 5 May 2017 in relation to, among other things, the CECH Subscription and the Placing (as defined in the Circular).

It is expected that the remaining net proceeds, being approximately RMB288.5 million in aggregate as of 30 June 2017, will continue to be used for the development of the Group's business in the manner as set out in the announcement of the Company dated 5 May 2017. The proceeds from the CECH Subscription and the Placing had been and will be applied in accordance with the specific uses as disclosed in the Circular.

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

During the Reporting Period, the Company repurchased a total of 33,304,000 shares on the Stock Exchange at an aggregate consideration of HK$23,878,280. All the repurchased shares were subsequently cancelled[(1)].

Particulars of the repurchases are as follows:

Month	**Number of shares repurchased**	**Purchase price per share**		**Aggregate consideration**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
June 2017	33,304,000	0.75	0.67	23,878,280
	33,304,000			23,878,280

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2017.

Note:

(1) On 22 June 2017, 23 June 2017, 27 June 2017, 28 June 2017, 29 June 2017, 30 June 2017, 3 July 2017, 4 July 2017, 5 July 2017, 6 July 2017, 7 July 2017, 10 July 2017, 11 July 2017, 12 July 2017, 13 July 2017, and 14 July 2014, a total of 64,236,000 ordinary shares have been repurchased. These shares were cancelled on 26 July 2017.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") 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, and 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. Wang Qiuju (non-executive Director) and Mr. Qi Min (independent non-executive Director). The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2017.

DIVIDENDS

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND 2017 INTERIM REPORT

This announcement is published on the websites of the Company (http://www.ceovu.com) and the Stock Exchange (http://www.hkexnews.hk). The 2017 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
China Electronics Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Wuhan, the People's Republic of China
17 August 2017

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

* *for identification purpose only*