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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 2018

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 2018 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2017 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 2018 – unaudited
(Expressed in Renminbi)

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**751,299**	1,304,230
Cost of sales		**(477,587)**	(819,032)
Gross profit		**273,712**	485,198
Other income and gains/(losses) – net		**54,960**	(7,189)
Selling and distribution expenses		**(36,690)**	(41,047)
Administrative expenses		**(118,954)**	(115,478)
Other expenses		**(191)**	(52)
Operating profit before changes in fair value of investment properties		**172,837**	321,432
Fair value gains on investment properties	*9*	**28,422**	107,492
Operating profit after changes in fair value of investment properties		**201,259**	428,924
Finance income	*5(a)*	**47,816**	29,457
Finance costs	*5(a)*	**(85,396)**	(49,418)
Net finance costs		**(37,580)**	(19,961)
Share of profits of associates	*10*	**10,118**	20,853
Share of profits/(losses) of joint ventures	*10*	**10,556**	(754)
Profit before income tax		**184,353**	429,062
Income tax expense	*6*	**(70,375)**	(211,179)
Profit for the period		**113,978**	217,883
Profit attributable to:			
– Owners of the Company		**103,264**	186,586
– Non-controlling interests		**10,714**	31,297
Profit for the period		**113,978**	217,883
Basic and diluted earnings per share (RMB cents)	*8*	**1.34**	2.38

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018 – unaudited
(Expressed in Renminbi)

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period	**113,978**	217,883
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	**(230,788)**	(8,653)
Other comprehensive loss for the period, net of tax	**(230,788)**	(5,480)
Total comprehensive (loss)/income for the period	**(116,810)**	212,403
Attributable to:		
– Owners of the Company	**(127,524)**	181,106
– Non-controlling interests	**10,714**	31,297
Total comprehensive (loss)/income for the period	**(116,810)**	212,403

Interim Consolidated Statement of Financial Position

At 30 June 2018 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2018 *RMB'000* (Unaudited)	At 31 December 2017 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**355,550**	354,267
Investment properties	*9*	**2,399,030**	2,317,890
Land use rights		**3,429**	3,464
Intangible assets		**6,663**	6,297
Investments in associates	*10*	**1,345,079**	1,267,909
Investments in joint ventures	*10*	**453,148**	143,431
Financial assets at fair value through profit or loss		**12,000**	–
Available-for-sale financial assets		**–**	12,000
Trade and other receivables	*14*	**159,590**	75,833
Deferred income tax assets		**35,752**	37,515
		4,770,241	4,218,606
Current assets			
Properties under development	*11*	**2,434,554**	1,969,272
Completed properties held for sale	*12*	**2,362,934**	2,296,780
Inventories and contracting work-in-progress	*13*	**44,485**	308,844
Trade and other receivables	*14*	**2,085,660**	1,868,990
Current income tax assets		**14,892**	11,132
Financial assets at fair value through profit or loss		**152,017**	–
Available-for-sale financial assets		**–**	180,000
Contract assets		**334,739**	–
Deposits in banks with original maturities over three months		**45,534**	72,228
Restricted cash		**356,261**	308,628
Cash and cash equivalents		**1,556,049**	2,133,597
		9,387,125	9,149,471

	Note	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Current liabilities			
Contract liabilities		**487,167**	–
Trade and other payables	*15*	**1,979,897**	2,213,237
Corporate bonds		**73,728**	26,368
Bank and other borrowings		**1,843,031**	1,357,880
Dividend payable		**128,866**	–
Current income tax liabilities		**236,805**	300,614
Current portion of deferred income		**5,084**	5,565
		4,754,578	3,903,664
Net current assets		**4,632,547**	5,245,807
Total assets less current liabilities		**9,402,788**	9,464,413
Non-current liabilities			
Corporate bonds		**1,379,278**	1,372,780
Bank and other borrowings		**1,162,709**	911,623
Deferred income tax liabilities		**262,379**	269,184
Non-current portion of deferred income		**45,752**	50,081
		2,850,118	2,603,668
Net assets		**6,552,670**	6,860,745
Equity			
Share capital	*16*	**628,735**	634,716
Treasury shares	*16*	**(126,973)**	(122,469)
Reserves		**3,016,386**	3,390,702
Retained profits		**2,164,014**	2,100,562
Total equity attributable to owners of the Company		**5,682,162**	6,003,511
Non-controlling interests		**870,508**	857,234
Total equity		**6,552,670**	6,860,745
Total equity and non-current liabilities		**9,402,788**	9,464,413

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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 the 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 are listed on 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 23 August 2018 and has been reviewed, not audited.

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 2017, 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 2017 as described in those annual financial statements, except for the adoption of new and amended standards as set out below:

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 "Financial Instruments", and

- IFRS 15 "Revenue from Contracts with Customers".

IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and the adjustments arising from adopting the new standards are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item.

Statement of financial position	31 December 2017 As originally presented	Impact from IFRS 9	Impact from IFRS 15	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	354,267	–	–	354,267
Investment properties	2,317,890	–	–	2,317,890
Land use rights	6,297	–	–	6,297
Intangible assets	3,464	–	–	3,464
Investments in associates	1,267,909	–	–	1,267,909
Investments in joint ventures	143,431	–	–	143,431
Financial assets at fair value through profit or loss	–	12,000	–	12,000
Available-for-sale financial assets	12,000	(12,000)	–	–
Trade and other receivables	75,833	–	–	75,833
Deferred income tax assets	37,515	13,064	–	50,579
	4,218,606	13,064	–	4,231,670
Current assets				
Properties under development	1,969,272	–	(26,710)	1,942,562
Completed properties held for sale	2,296,780	–	–	2,296,780
Inventories and contracting work-in-progress	308,844	–	(275,694)	33,150
Trade and other receivables	1,868,990	(47,503)	–	1,821,487
Current income tax assets	11,132	–	–	11,132
Financial assets at fair value through profit or loss	–	180,000	–	180,000
Contract assets	–	(15,339)	286,816	271,477
Available-for-sale financial assets	180,000	(180,000)	–	–
Deposits in banks with original maturities over three months	72,228	–	–	72,228
Restricted cash	308,628	–	–	308,628
Cash and cash equivalents	2,133,597	–	–	2,133,597
	9,149,471	(62,842)	(15,588)	9,071,041

Statement of financial position	31 December 2017 As originally presented	Impact from IFRS 9	Impact from IFRS 15	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities				
Contract liabilities	–	–	235,694	235,694
Trade and other payables	2,213,237	–	(266,138)	1,947,099
Corporate bonds	26,368	–	–	26,368
Bank and other borrowings	1,357,880	–	–	1,357,880
Current income tax liabilities	300,614	–	2,016	302,630
Current portion of deferred income	5,565	–	–	5,565
	3,903,664	–	(28,428)	3,875,236
Non-current liabilities				
Corporate bonds	1,372,780	–	–	1,372,780
Bank and other borrowings	911,623	–	–	911,623
Deferred income tax liabilities	269,184	–	3,210	272,394
Non-current portion of deferred income	50,081	–	–	50,081
	2,603,668	–	3,210	2,606,878
Net assets	6,860,745	(49,778)	9,630	6,820,597
Equity				
Share capital	634,716	–	–	634,716
Treasury shares	(122,469)	–	–	(122,469)
Reserves	3,390,702	–	–	3,390,702
Retained profits	2,100,562	(47,147)	7,335	2,060,750
Total equity attributable to owners of the Company	6,003,511	(47,147)	7,335	5,963,699
Non-controlling interests	857,234	(2,631)	2,295	856,898
Total equity	6,860,745	(49,778)	9,630	6,820,597

The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) The following new and amended standards that have been issued and are effective for the financial year beginning on 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contract	1 January 2021
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB4,127,000 as lessee. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

The Group has already commenced an assessment of the impact of the other new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

4 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). In prior years, the Group had identified four segments, namely industrial park space services, industrial park operation services, design and construction services and industrial investment. During the first half of 2018, to better align with the Group's business strategy, the Group has combined the design and construction services segment into industrial park operation services segment, which represents the Group's comprehensive industrial park operation businesses. As a result of the above change, the segment information for the six months ended 30 June 2017 was re-presented for comparison purposes.

At 30 June 2018, the Group has the following three segments:

- Industrial park space services: 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.

- 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 2018 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

- Industrial park operation services: this segment provides design and construction services, property management service, energy service, financing service and other services for industrial parks.

(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 2018

	Industrial park space services *RMB'000*	**Industrial park operation services** *RMB'000*	**Total** *RMB'000*
Segment revenue	**311,082**	**565,192**	**876,274**
Inter-segment revenue	**(1,308)**	**(123,667)**	**(124,975)**
Revenue from external customers	**309,774**	**441,525**	**751,299**
Segment results	**163,892**	**33,123**	**197,015**
Depreciation and amortisation	**(10,376)**	**(13,802)**	**(24,178)**

For the six months ended 30 June 2017

	Industrial park space services *RMB'000*	Industrial park operation services *RMB'000*	Total *RMB'000*
Segment revenue	990,432	401,665	1,392,097
Inter-segment revenue	(5,582)	(82,285)	(87,867)
Revenue from external customers	984,850	319,380	1,304,230
Segment results	316,248	22,595	338,843
Depreciation and amortisation	(9,376)	(8,035)	(17,411)

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Revenue		
Segment revenue	**876,274**	1,392,097
Elimination of inter-segment revenue	**(124,975)**	(87,867)
Revenue	**751,299**	1,304,230
Profits		
Segment profits derived from Group's external customers	**197,015**	338,843
Fair value gains on investment properties	**28,422**	107,492
Share of profits of associates	**10,118**	20,853
Share of profits/(losses) of joint ventures	**10,556**	(754)
Finance income	**47,816**	29,457
Finance costs	**(85,396)**	(49,418)
Depreciation and amortisation	**(24,178)**	(17,411)
Income tax expense	**(70,375)**	(211,179)
Profit for the period	**113,978**	217,883

5 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(a) Finance income/(costs):		
Finance income:		
Interest income	**20,992**	11,238
Interest income from entrusted loans to associates	**14,843**	16,504
Income from available-for-sale financial assets	**1,241**	1,715
Net foreign exchange gain	**10,740**	–
Sub-total	**47,816**	29,457
Finance costs:		
Interest expenses	**(137,773)**	(65,687)
Capitalised interest expenses	**52,377**	16,271
	(85,396)	(49,416)
Net foreign exchange losses	**–**	(2)
Sub-total	**85,396**	(49,418)
Net finance costs	**(37,580)**	(19,961)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(b) Staff costs:		
Salaries, wages and other benefits	**193,747**	152,620
Contributions to defined contribution retirement schemes	**12,918**	10,991
	206,665	163,611

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
(c) Other items:		
Depreciation	**23,332**	17,012
Amortisation	**846**	399
Cost of properties sold	**111,905**	546,859
Cost of construction and goods sold	**143,660**	131,548
Rentals income from investment properties	**(71,533)**	(54,777)
Gains on disposal of subsidiaries	**–**	(8,118)
Operating lease charges	**2,547**	382

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
PRC Corporate Income Tax ("**CIT**") *(Note (ii))*	**24,765**	91,036
PRC Land Appreciation Tax ("**LAT**") *(Note (iii))*	**33,541**	86,770
Withholding Tax *(Note (iv))*	**4,243**	–
	62,549	177,806
Deferred income tax	**7,826**	33,373
	70,375	211,179

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 2017: 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%. During the period ended 30 June 2018, 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, except for retained earnings accounting to RMB84,850,000 in total would be distributed to their overseas holding companies due to internal restructuring and resulted in withholding tax of RMB4,242,500, the directors considered that the retained earnings of the PRC subsidiaries as at 30 June 2018 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 2018.

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 RMB103,264,000 (six months ended 30 June 2017: RMB186,586,000). The weighted average number of ordinary shares (excluding treasury stocks) for the six months ended 30 June 2018 is approximately 7,689,078,541 (six months ended 30 June 2017: 7,846,779,270).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2018 and the six months ended 30 June 2017 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 1 year to 20 years.

The Group's investment properties carried at fair value were revalued as at 30 June 2018 by DTZ Cushman & Wakefield ("**DTZ**"), an independent firm of surveyors. The valuation were carried out by DTZ with reference to market value of property interest, which is 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, DTZ 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 2018, a total gain of RMB28,422,000 (six months ended 30 June 2017: RMB107,492,000), and deferred tax thereon of RMB7,105,500 (six months ended 30 June 2017: RMB26,873,000), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2018, certain investment properties of the Group with carrying value of RMB320,120,000 (31 December 2017: RMB1,553,500,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

10 INVESTMENTS IN ASSOCIATES/JOINT VENTURES

Investments in Associates

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Beginning of the period	**1,267,909**	444,715
Transfer from investment in a subsidiary	**–**	85,510
Other additions	**37,102**	592,380
Share of post-tax profits of associates	**10,118**	20,853
Gains from deemed partially disposal	**29,950**	29,474
End of the period	**1,345,079**	1,172,932

Investments in Joint Ventures

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Beginning of the period	**143,431**	168,153
Addition	**333,018**	25,500
Reduction of capital	**(21,260)**	–
Dividend received	**(4,903)**	–
Transfer to a subsidiary	**(7,694)**	–
Other disposal	**–**	(131,423)
Share of post-tax profit/(losses) of joint ventures	**10,556**	(754)
End of the period	**453,148**	61,476

11 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Expected to be recovered within one year		
Properties under development for sale	**1,478,958**	699,427
Expected to be recovered after more than one year		
Properties under development for sale	**955,596**	1,269,845
	2,434,554	1,969,272

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
In the PRC, with lease term of 40 years or more	**1,120,249**	841,667

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 WORKING-IN-PROGRESS

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Gross amounts due from customers for contract work	**–**	275,694
Work in progress	**12,113**	9,813
Finished goods	**30,780**	21,994
Raw materials	**1,592**	1,343
	44,485	308,844

14 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Current portion		
Trade receivables *(Note(i))*	**495,964**	536,464
Bill receivables	**16,869**	9,555
Amounts due from related parties	**78,589**	80,970
Deposits	**261,302**	189,998
Prepayments for construction cost and raw materials	**159,545**	100,153
Consideration receivable on disposal of prepayments for acquisition of certain equity interests	**219,621**	131,628
Loans to related parties	**131,509**	165,866
Loans to third parties	**603,470**	308,070
Prepaid business tax and other taxes	**81,796**	31,201
Interest receivables from entrusted loans to an associate	**3,112**	6,423
Others	**77,430**	308,662
Less: loss allowance provision	**(43,547)**	–
	2,085,660	1,868,990
Non-current portion		
Prepayments for acquisition of properties	**–**	58,300
Trade receivables	**15,506**	17,533
Loans to a third party	**146,278**	–
Less: loss allowance provision	**(2,194)**	–
	159,590	75,833
Total	**2,245,250**	1,944,823

Trade and bill receivable are generally due within 3 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 2018	At 31 December 2017
	RMB'000	*RMB'000*
Within 1 month	**119,539**	147,354
1 to 3 months	**94,085**	68,831
3 to 6 months	**103,226**	22,929
Over 6 months	**195,983**	306,905
	512,833	546,019

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.

15 TRADE AND OTHER PAYABLES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
Trade creditors and bills payable	**981,590**	1,074,880
Receipts in advance	**–**	266,138
Loans due to a third party	**506,025**	207,669
Loans due to a related party	**40,000**	100,000
Amounts due to related parties	**45,747**	71,895
Construction guaranteed deposits payable	**93,679**	67,859
Accrued payroll	**11,471**	37,374
Interests payable	**12,638**	5,932
Other payables and accruals	**288,747**	381,490
Total	**1,979,897**	2,213,237

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 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 month	**78,842**	513,531
1 to 12 months	**533,414**	154,698
Over 12 months	**369,334**	406,651
	981,590	1,074,880

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 reorganization 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 2018			At 31 December 2017		
	No. of Shares *('000)*	*RMB'000*	**Treasury shares** *RMB'000*	No. of Shares *('000)*	*RMB'000*	Treasury Shares *RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	**7,713,324**	**634,716**	**(122,469)**	8,000,000	658,680	(110,105)
Shares repurchased for cancellation *Note (a)*	**–**	**–**	**(43,699)**	–	–	(189,695)
Shares cancelled *Note (a)*	**(70,952)**	**(5,981)**	**39,165**	(286,676)	(23,964)	177,331
At the end of the year/period	**7,642,372**	**628,735**	**126,973**	7,713,324	634,716	(122,469)

Note:

(a) During the period ended 30 June 2018, the Company repurchased a total 81,868,000 shares at a total consideration of HK$53,601,440 (equivalent to RMB43,669,000) for cancellation purpose. On 10 January 2018 and 29 May 2018, the Company cancelled 13,244,000 shares and 57,708,000 shares, respectively. Subsequently on 19 July 2018, the Company further cancelled the remaining 24,160,000 treasury shares.

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 2018 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 2018

- The revenue derived from industrial park operation services of the Group was RMB441.5 million as of 30 June 2018, representing an increase of 38.2% as compared with the same period in 2017 and 58.8% of turnover, while revenue from industrial park operation services for the same period in 2017 accounted for 24.5% of turnover.

  The Group recorded turnover of RMB751.3 million as of 30 June 2018, representing a decrease of 42.4% as compared with the same period in 2017 mainly due to the Group's adjustment to pattern of sales of industrial park in the first half of the year.

- The gross profit margin of the Group amounted to 36.4% as of 30 June 2018, representing a slight decrease compared with the consolidated gross profit margin of 37.2% for the same period in 2017.

  As of 30 June 2018, the Group achieved a profit of RMB114.0 million, representing a decrease of 47.7% as compared with the same period in 2017. After deduction of the post-tax fair value gains on investment properties, the core net profit was approximately RMB92.7 million, representing a decrease of 32.5% as compared with the same period in 2017.

- The Group secured contracted sales of properties of RMB771.5 million, representing a decrease of 32.3% as compared with the same period in 2017; and the area of contracted sales was approximately 120,000 sq.m., representing a decrease of 27.7% as compared with the same period in 2017.

BUSINESS REVIEW

As of 30 June 2018, the Group, being a leading development and operation services enterprise in themed industrial parks, developed or operated a number of industrial parks in over 30 cities, including Wuhan, Qingdao, Hefei, Shenyang, Xi'an, Chengdu, Shanghai, Tianjin, Shenzhen, Chongqing, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Dongying, Luoyang, Changsha and Xianyang. The Group manages its businesses by business lines (products and services). As at 30 June 2018, the Group's business consists of three parts: (i) industrial park space services business (including sale and leasing services of industrial park space), (ii) industrial investment (industrial-related equity investments business in various theme parks), (iii) industrial park operation services (including design and construction services, property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment).

REVENUE BY BUSINESS SEGMENTS

	Period ended 30 June			
	2018		2017	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial Park Space Services	**309,774**	**41.2%**	984,850	75.5%
Sales of Industrial Park	**236,378**	**31.5%**	899,325	69.0%
Industrial Park Leasing	**68,793**	**9.2%**	53,686	4.1%
Sales of Ancillary Residential Properties	**4,603**	**0.5%**	31,840	2.4%
Industrial Park Operation Services	**441,525**	**58.8%**	319,380	24.5%
Design and Construction Services	**174,289**	**23.2%**	143,734	11.0%
Property Management Service	**139,586**	**18.6%**	104,901	8.1%
Energy Services	**21,263**	**2.8%**	16,139	1.2%
Others	**106,387**	**14.2%**	54,606	4.2%
Total	**751,299**	**100.0%**	1,304,230	100.0%

Industrial Park Space Services

In the first half of 2018, the income from the industrial park space services of the Group was RMB309.8 million, representing a decrease of 68.5% as compared to the same period of 2017. Among which, the sales income from industrial park properties was RMB236.4 million, representing a decrease of 73.7% as compared to the same period of 2017, with a booked sales area of 34,000 sq.m., representing a decrease of 73.6% compared to the same period of 2017. The income from Industrial Park Leasing amounted to RMB68.8 million, representing an increase of 28.1% as compared to the same period of 2017. Its leasing area was 272 thousand sq.m with a occupancy rate of more than 80%. The income from sales of ancillary residential properties was RMB4.6 million, which is decreased as compared to the same period of 2017, which was mainly due to ancillary residential properties basically having been sold out.

For the six months ended 30 June 2018, properties sold and delivered include:

Properties sold and delivered	**2018** Revenue (*RMB'000*)	GFA sold and delivered (*sq.m.*)	Recognized average selling price (*RMB per sq.m.*)	2017 Revenue (*RMB'000*)	GFA sold and delivered (*sq.m.*)	Recognized average selling price (*RMB per sq.m.*)
Central China	**170,874**	**23,623**	**7,233**	404,960	53,809	7,526
Northern Region	**5,443**	**1,951**	**2,790**	21,738	7,557	2,877
Qingdao Companies	**30,116**	**4,307**	**6,992**	30,669	4,909	6,248
Hefei Companies	**34,548**	**4,432**	**7,795**	473,798	63,032	7,517
Total	**240,981**	**34,313**	**7,023**	931,165	129,307	7,201

Sales of Industrial Park

In the first half of 2018, the income from sales of industrial park of the Group was mainly generated from Central China, Northern Region, Qingdao and Hefei, among which, the sales income from Central China project reached RMB170.9 million, accounting for 70.9% of the income from sales of industrial park; the sales income from Northern Region project reached RMB5.4 million, accounting for 2.3% of the income from sales of industrial park; the sales income from Qingdao project was RMB30.1 million, accounting for 12.5% of the income from sales of industrial park. The sales income from Hefei project reached RMB34.5 million, accounting for 14.3% of the income from sales of industrial parks.

During the Reporting Period, the decrease in the income from sales of industrial park was mainly due to the projects in Hefei, Wenzhou, Shenyang, Chengdu and Changsha being still under construction or proposed to construct in the first half of 2018 resulting in income not available for recognition. The Group may enter into related contracts and carry forward income mainly in the second half of 2018.

Summary regarding the sales of industrial park

For the six months ended 30 June 2018, the details of the Group's contracted sales amount and contracted area of sales of industrial park are as follows:

	Contracted amount *(RMB'000)*		**Contracted area** *(sq.m.)*	
City and project	**2018**	2017	**2018**	2017
Central China	**197,604**	442,465	**20,992**	69,583
Northern Region	**84,273**	34,675	**23,189**	11,517
Southern Region	**84,809**	–	**23,552**	–
Qingdao Companies	**265,394**	149,831	**37,106**	23,073
Hefei Companies	**139,383**	512,137	**15,245**	61,769
Total	**771,463**	1,139,108	**120,084**	165,942

Development and Progress of Industrial Park

During the Reporting Period, the total area of new development in industrial parks was 187,000 sq.m. and total area of new completion was 84,000 sq.m.. As at 30 June 2018, the total area under construction was approximately 730,000 sq.m..

Land Bank

During the Reporting Period, the high quality land bank of the Group was approximately 6,388,000 sq.m., distributed in 16 cities, namely Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Xi'an, Wenzhou, Beihai, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai and Ningbo.

Land Bank Table

An overview of land bank as of 30 June 2018 is as follows:

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank
						(sq.m.)
1	Optics Valley Software Park	Wuhan	1 Guanshan Avenue, Wuhan, Hubei Province	Industrial	100%	54,425
2	Financial Harbour (Phase I)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	27,728
3	Financial Harbour (Phase II)	Wuhan	77 Guanggu Avenue, Wuhan, Hubei Province	Industrial	100%	28,465
4	Creative Capital	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	194,185
5	Wuhan Innocenter	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	199,438
6	Lido 2046	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	2,497
7	Others	Wuhan	N/A	Residential	100%	14,612
8	Qingdao OVU International Marine Information Harbour	Qingdao	396 Emeishan Road, Qingdao, Shandong Province	Industrial	100%	321,185
9	Qingdao Innocenter	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/Industrial	100%	116,627
10	Qingdao Marine & Science Park	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
11	Huanggang OVU Science and Technology City	Huanggang	Junction of Zhonghuan Road and Xingang North Road, Huangzhou District, Huanggang, Hubei Province	Industrial	70%	102,021
12	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%	3,438
13	Shenyang CEOVU Information Harbour	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	92,754

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (*sq.m.*)
14	Ezhou OVU Science and Technology City	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	321,320
15	Huangshi OVU Science and Technology City	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	181,141
16	Lido Top View	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	16,077
17	Hefei Financial Harbour	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	100%	469,625
18	Xi'an Industrial Park	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	167,651
19	Wenzhou Industrial Park	Wenzhou	Jinhai Park, Wenzhou Economic and Technological Development Zone, Wenzhou, Zhejiang Province	Industrial	60%	369,027
20	Changsha CEC Software Park	Changsha	Yuelu Avenue in High-tech Industrial Development Zone, Changsha	Industrial	100%	457,830
21	Shanghai Logistic Enterprise Community	Shanghai	114/1 Hill, 101 Street, Songjiang Industrial Park, Songjiang District, Shanghai	Industrial	100%	235,400
22	Chengdu Core Valley	Chengdu	Group 1 of Fengle Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town, Chengdu	Commercial Service	100%	54,563
23	Hangzhou Bay center, Weilan Hai'an, Ningbo City	Ningbo	North of Binhai sixth Road and east of Zhong xing first road, Hangzhou Bay New District, Ningbo City	Residential/Industrial	31%	1,422,200
24	Henqin Zhishuyun	Zhuhai	East of Fubang Road, south of Xingsheng Third Road, west of Fuguo Roadand and north of Xingsheng Second Road, Hengqin New District, Zhuhai, China	Commercial	30%	53,618
25	Hainan Resort Software Community	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	10%	871,493
26	Beihai Industrial Park	Beihai	West of Beihai Avenue, South of Kefu Road, Beihai, Guangxi Province	Industrial	15%	413,513
Total						6,387,885

Industrial Park Leasing

During the Reporting Period, the income of the industrial park leasing was RMB68.8 million, representing an increase of 28.1% as compared with the same period in 2017. The area of the self-owned high quality properties reached 272,000 sq.m., with an occupancy rate of over 80%, which will bring a stable and sustainable cash flow to the Group, further optimizing the model of business solicitation services for parks and continuously promoting brand effectiveness.

INDUSTRIAL INVESTMENT

In the first half of 2018, the Group, together with Xiamen Jin Yuan Investment Group Company Limited* (廈門金圓投資集團有限公司) and Zhong Jin Qi Rong (Xiamen) Equity Investment Fund (LLP)* (中金啟融（廈門）股權投資基金合夥企業（有限合夥）) and other companies, set up CEC & CICC (Xiamen) intelligence Industrial Equity Investment Fund* (中電中金(廈門)智慧產業股權投資基金) ("**CEC & CICC**"), which will have profound impact on the new development strategy of our Industrial Park. CEC & CICC is a unique investment platform established by CEC and CICC Capital for the target industry, with a total scale of RMB5 billion. It focuses on the value chain of advanced manufacturing industries related to semiconductors and electronics, and is complementary investment portfolio to Science and Technology Innovative SMEs. CEC&CICC has an independent investment committee and decision-making program, a professional management team with excellent industry and investment background and market-based incentive mechanism. CEC&CICC will make use of the industry resources of the fund management team and CEC's unique advantage of being a central enterprise to achieve the business expansion of the invested company and the penetration of the Chinese market through various effective methods. Meanwhile, it creates synergies and seizes the upstream of the capital market by virtue of China's huge network of listed companies.

Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) ("**Easylinkin Technology**") is the first low-power integrated service provider of wide-area Internet of Things, forming the most influential low-power wide-area Internet industry chain in China. As one of the first enterprises in China that are engaged in the research and development of LoRa-based LPWAN core products, Easylinkin Technology has developed a complete set of gateway products for end-to-end networking with independent intellectual property rights in the terms of LPWAN. These gateway products have been registered by the State Radio Regulatory Commission and met the radio communication standards. They have obtained more than 90 invention patents or software copyrights and are adopted by more than 10 industries and 70 projects covering Internet-of-Things in parks, security, energy and household sectors. The company now focuses on vertical industries including intelligent, safe community co-built with public security bureau, intelligent building and meter reading, and are replicating widely. Easylinkin Technology obtained the A-round financing led by IDG in 2017, and finished the B-round financing led by China Growth Capital in the first half of 2018. Easylinkin Technology's post-investment valuation was approximately RMB830 million, positioned as one of the leading companies in wide-area Internet industry in China. It is expected to become a one-of-a-kind enterprise in the next two to three years.

Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("**Huada Beidou**") is mainly engaged in the design, integration, production, testing, sales and related business of chips, algorithm, module and end products. Navigation and positioning chips of Huada Beidou, which adopted the integrated RF baseband design, is the first of its kind in China which ranked in the top 10 of an international ranking for professional navigation and positioning of chips. Meanwhile, it is credited with several awards issued by the domestic integrated circuit industry and navigation and positioning industry. As at 30 June 2018, operation revenue of Huada Beidou amounted to RMB8.7 million, representing an increase of 37.7% as compared to the same period of 2017. Currently, Huada Beidou has communicated with certain investment institutions, indicating an optimistic growth.

Headquartered in Shanghai, Ruizhang Technology Co., Ltd* (瑞章科技有限公司) provides information technology of Internet of Things and industrial application solutions. It has the world-leading RFID product performance R&D center and testing center, and it has independently developed core products of Internet of Things including chips, volume labels, antennas, readers, hand-held devices, integrated circuits, middleware, cloud platforms and big data. Its main business is concentrated in the five areas including smart retail, smart logistics, smart manufacturing, intelligent security and intelligent books.

Hengqin China Electronics Youpu Cloud Data Limited* (橫琴中電友普雲數據有限公司) is an innovative information technology infrastructure service provider that provides HIT, IDC hosting, operation and maintenance, hosting bandwidth, private cloud management and public cloud services, and provides professional solutions in three areas namely, the sub-sectors e-commerce, Internet+smart manufacturing, and finger vein recognition, and the promoted "Special Information Zone" (信息特區) also has entered a new period of development.

Industrial Park Operation Services

During the Reporting Period, the turnover of the industrial park operation service of the Group was RMB441.5 million, representing an increase of 38.2% as compared to the same period of 2017. The Group provides a variety of integrated operational service to enterprises stationed in our industrial parks, including design and construction services (including governmental procurement services, PPP service, EPC integrated design and construction services, project management and consultation services), property management service, energy services, intelligent park services, incubator and office sharing services, financial services in parks, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment. In terms of composition, the major income sources of the industrial park operational services are design and construction services and property management service, which accounted for 71.1%.

Design and Construction Services

Governmental Procurement, EPC Integrated Design and Construction Services

In recent years, the governmental procurement services, which originate from local exploration reforms, has been promoted to a national strategy. The central government and local authorities issued numerous laws and regulations, particularly in fields such as development of new industrial cities and industrial parks, to support, encourage and regulate governmental procurement, which offered greater opportunity for enterprises carrying out business relating to the industrial property development and operation. With the comprehensive consultation service and the construction consultation service experience gained from various governmental projects, namely Wuhan Biolake and Wuhan Future Science Town, the Group is focusing on the area of governmental procurement services in order to seek for a breakthrough in the income size and model.

Meanwhile, through the integration and optimization of the industry chain resource in design institutions and construction subsidiaries within the Group, we provide government, institutions and related corporations with comprehensive EPC integrated design and construction services, ranging from design, tender and procurement to construction.

During the Reporting Period, the revenue of the design and construction services was RMB162.5 million, representing an increase of 21.3% as compared to the same period of 2017.

Project Management and Consultation Services

In 2018, guided by the overall idea of building an "industrial resources sharing platform", the Group's consultation and management business has been expanded through synergy between strategic resource allocation and industrial ecosystem establishment and develops in a sustainable, innovative way in all respects. The Group assisted CEC in actively carrying out strategic industrial cooperation in Yinchuan, cooperated with China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司) to expand industrial innovation cooperation in Zhuhai and Zigong, and carried out business in respect of industrial and intelligent parks in Luzhou together with Easylinkin Technology and the department of intelligent industrial parks. In Chongqing, the consultation business promoted the establishment of the Group's first technology industry development company, strengthening the linkage between government and enterprises, and continuously promoting local industry innovation and development. In Putian, the consultation business was self-enhancing by offering a two-way idea of planning and design, and practicing the Group's approach of multiple planning integration. As an asset-light department of the Group, in 2018, the consultation and management business will adhere to the concept of industrial resource sharing platform and keep coordinating the rapid growth of the Group's industrial park development and operation business.

During the Reporting Period, the Group's consultation business income exceeded RMB11.7 million, representing an increase of 30.0% as compared to the same period in 2017.

Property Management Service

During the Reporting Period, the revenue from the property management service of the Group was RMB139.6 million, representing an increase of 33.1% as compared to the same period of 2017, among which, income from property management service provided to industrial park projects accounted for 48.0% and income from property management service provided to projects other than the Group's projects accounted for 16.0%. During the Reporting Period, the area of the property management service reached 17,823,000 sq.m., of which the area of corporate customer services accounted for 54.9%.

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.

Through the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group has initiated an establishment of 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 the strong demand from customers, the Group plans to promote this management model in the coming three years. The operating income from this business segment is expected to experience rapid growth.

Energy Services

During the Reporting Period, the income from energy services (DHC) of the Group was RMB21.3 million. Through years of development and exploration, Wuhan China Electronics Energy Conservation Co., Ltd *(武漢中電節能有限公司) ("**CEEC**") gradually established the ecological business system featuring "DHC as core business and mechatronics engineering, EMC, special pipe and intelligent automatic control as major business", completing its planning and layout for future strategic development. As of June 2018, CEEC had 24 utility models, 9 patents for invention and 4 software copyrights relating to its self-developed energy saving control system.

Currently, CEEC's 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 in the future. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. Through the strategic cooperation with competitive enterprises within the same district, we strive to dominate the domestic DHC market swiftly and become the leader in China's DHC market.

Intelligent Park Services

During the Reporting Period, the Group made a historic move in industrial ecological development with intelligent park development as its focus. With industrial park application scenarios as its motive and objective, key technology as the point to break through and new intelligent city construction as its general goal, the Group formed an Internet-of-Things industrial ecosystem based on core technologies such as low-power WANs for Internet-of-Things, Beidou navigation positioning chip, ultra-high frequency RFID, indoor maps, passive switching, intelligent control and cloud computing. Combing the above with offline service resources such as Lido Property, Lido Technology, Domainblue Smart and Quanpai Life (全派生活), we preliminarily established the industrial park operation system with core competitiveness, achieving a dual dimension park service system with building space and data space in parallel.

Since its establishment, Domainblue Smart has been actively conceiving its business modes and constructing its business units. In 2018, through optimizing its technical service, Domainblue Smart continuously verified the competence of its business units to prepare for the marketization of the offline output facilities and equipment integrated operation service.

Incubator and Office Sharing Service

During the Reporting Period, Wuhan OVU Technology Co., Ltd.* (武漢歐微優科技有限公司), a controlling subsidiary of the Group, was fully responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB9.3 million.

As of 30 June 2018, there were 26 OVU Maker Star sites distributed in 12 cities across the country, including Wuhan, Qingdao, Hefei, Xi'an, Beihai, Ezhou and Huangshi, with a management area of 319,000 sq.m. Among these sites, seven of them, being Wuhan Creative Capital (武漢創意天地), Qingdao International Marine Information Harbour (青島國際海洋信息港), Beibu Gulf Information Harbour (北部灣信息港), Hefei, Yan'an Hi-tech Creativity (延安高新眾創), Xinyang Hi-tech Industry Development Area Business Incubation Center (信陽高新技術產業開發區創業服務中心) and Huangshi, were rated as national Entrepreneurship Development Arena; and four of them, being Beihai Electronics Industrial Park (北海電子產業園), Yan'an Hi-tech Creativity, Hainan RSC, Xinyang Hi-tech Industry Development Area Business Incubation Center (信陽高新技術產業開發區創業服務中心), were rated as incubators with national standard. Among the 26 OVU Maker Star sites, 14 are located in Wuhan, creating more than 10,000 jobs, and the average leasing rate thereof was above 85%. We provided services for over 600 teams in total.

Financial Services in Parks

As of 30 June 2018, Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) ("**Lingdu Capital**"), a controlling subsidiary of the Group, was fully responsible for operating the Group's OVU Fund. Lingdu Capital developed rapidly and identified six investment directions, including smart cities, intelligent manufacturing, healthcare big data, civil-military integration, integrated circuits and cultural and creative entertainment, with its scale of assets under management already reaching RMB4.0 billion; it possesses high-quality professional teams in areas such as investment, financing, fund management and project investment and its core team has extensive experience in entrepreneurship, corporate operation, risk control and investment management as well as in-depth knowledge in domestic and overseas markets. As of 30 June 2018, Lingdu Capital, together with relevant government and other institutions, initiated to establish certain funds with a total scale exceeding RMB3.8 billion. As of 30 June 2018, the Group initiated and organized an entrepreneurship competition named the third "Yizhidu Show (億隻獨SHOW)", and organized jointly with CEC the CEC Partner Conference (中電合作夥伴大會) and the CEC i plus innovation and creativity competition (中電i+創新創意大賽) to gather rich resources for its entrepreneurship incubation service and to extensively enhance its market position and reputation in entrepreneurship incubation service market. As of 30 June 2018, the Group has entered into investment agreements with 24 companies involving a total amount of RMB160 million. Such companies include Easylinkin Technology, Wuhan Beida High-Technology Software Company Limited and Huada Beidou.

Growing Business Innovation and Guarantee Co., Ltd., a controlling subsidiary of the Group, built up a financial service platform in parks with guarantee businesses as focus, with factoring and financial leasing as complements, and providing financing guarantee services for SMEs as its core business and financial services for industrial parks as its feature. In the first half of 2018, we provided 14 financing services of an amount of RMB184.8 million in total, recording income of RMB9.8 million.

Group Catering and Hotel Services

Based on the industrial park, Quanpai Catering (全派餐飲) not only provides services for the Group, but also promotes the business atmosphere in the park at the same time, attracting various business into the park and improving its comprehensive service ability. Since it was set up 7 years ago, Quanpai Catering has gradually established its brand in the group catering industry in Wuhan. It is continuously expanding the market on top of the solid foundation laid. At present, Quanpai Catering has 24 market projects, among which 5 were new in the Reporting Period. In the first half of 2018, it realized an output of RMB38.4 million and a revenue of RMB18.7 million.

Other Industrial Park Operation Services

In addition, the Group also provided more than ten types of industrial park operation related services, including apartment leasing, real estate agency, recreation and entertainment. It also offers collective household register services and business and commercial registration services, as well as organizes a number of activities in the parks, such as blind dates and social parties. These services were all highly praised by the enterprise residents and their staff and helps strengthening customers' loyalty to the Group.

FUTURE PROSPECT

Future Prospect for the Second Half of 2018

Macroeconomic Environment

2018 marks the beginning of the comprehensive implementation of the spirit of the 19th CPC National Congress of the Communist Party of China. Structural reform is being advanced steadily on the supply side. The national innovation-driven strategies and the national strategies of converting old dynamics to new dynamics are gradually becoming effective. The economy of China continues to maintain a stable but improving performance under new norms.

The Group is of the view that, while China's economy is affected by the weak overall macro economic situation and the uncertain factors of the US-China trade disputes, there are increasing active factors contributing to its stable but improving performance. This brings more opportunities for the development of enterprises. While production capacity is reduced to solve overcapacity, the standard of production equipment is upgraded, especially intelligent applications, which will become an important economic growth point. In-depth reform will promote the modernization of urban governance. Reorganization of social organizations and systems will present an important development opportunity for the industrial ecosphere which is centered on things of internet and intelligent applications, and brings new demands for the consulting business of the industrial parks.

THE GROUP'S STRATEGIES

Focusing on Systematized Business Collaboration

"No High-level Collaboration, No High-quality Development" is the Group's collaboration development strategy. The Group will continue to carry out such strategy, focus on the collaboration development quality, give full play to the role of the carrier and platform of the industrial parks. In addition, the Group will also deepen and push forward the cooperation with China Electronics and other Group member companies, break down the barriers, and integrate the advantages of various existing resources, including internal resources of China Electronics and the Group, various-channel strategic cooperation resources and all forms of equity investment resources. The Group will effectively employ such composite and comprehensive advantages to increase the company value in multiple manners.

Promoting the Industrial Parks Space Service Business to be Upgraded to a New Level

In the second half of 2018, the Group will provide more support to the development companies in all cities according to local conditions, encourage such companies to combine the current good results they have already achieved, seize opportunities, and rely on the branding influences to continue to expand the industrial parks development and operation advantages and speed up operation pace to release new energy in terms of industrial parks space service business in order to realize year on year growth of annual income. Meanwhile, the Group will make fully use of the great strategic background of the integration of the military and the civilians and the opportunity for collaborative development with China Electronics to seek for and seize more commercial opportunities to achieve a new urban layout.

To Enable the Intelligence of the Industrial Parks to be a New Engine for Realizing High-quality Development

In the second half of 2018, we will continue to use the first shared economic demonstration platforms identified by the National Development and Reform Commission (NDRC) as an opportunity to strengthen platform thinking, clarify the goals to increase efficiency, and carry out the platform construction plans. Meanwhile, we will also firmly grasp the orientation of applications, focus on user experience, coordinate the stable advancement of the Company's resources, and rely on CEC Group's strategic urban governance modernization layout, so as to speed up the promotion of the intelligent system of the industrial parks via multiple channels and manners.

Paying Attention to the Quality of Consulting Services and Giving Full Play to the Leading Role of the Consulting Business

Our consulting business is related to the urban development strategy and function planning and layout. It has a sacred mission and great responsibility. The Group will keep pace with the times to perfect the methodology system and actually perform contractual obligations to create brand value based on its years of successful professional experiences. We will accurately grasp onto China's strategic goals for constructing modernized economic system and high-quality development guidelines to targetedly help local companies form new and innovation-led industrial system.

We will push forward the cooperation of the industrial parks operation business based on the consulting business, give full play to the multiple advantages of the Group in terms of its professional capacities, drive the collaborative development of related industrial resources including the smart industrial parks, regional energy, shared office, entrepreneurship investment, design and engineering, and create a new mode of long tail operation.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was RMB751.3 million, representing a decrease of 42.4% as compared to the same period of 2017.

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

	Years ended 30 June			
	2018		2017	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial Park Space Services	**309,774**	**41.2%**	984,850	75.5%
Sales of Industrial Park	**236,378**	**31.5%**	899,325	69.0%
Industrial Park Leasing	**68,793**	**9.2%**	53,686	4.1%
Sales of Ancillary Residential Properties	**4,603**	**0.5%**	31,840	2.4%
Industrial Park Operation Services	**441,525**	**58.8%**	319,380	24.5%
Design and Construction Services	**174,289**	**23.2%**	143,734	11.0%
Property Management Service	**139,586**	**18.6%**	104,901	8.1%
Energy Services	**21,263**	**2.8%**	16,139	1.2%
Others	**106,387**	**14.2%**	54,606	4.2%
Total	**751,299**	**100.0%**	1,304,230	100.0%

Cost of Sales

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); and (ii) cost of industrial park operation services.

During the Reporting Period, cost of sales of the Group amounted to RMB477.6 million, representing a decrease of RMB341.4 million or 41.7% over the same period in 2017, primarily due to a decrease in the 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 RMB273.7 million, representing a decrease of RMB211.5 million as compared with the same period in 2017. Overall gross profit margin was 36.4%, recording a decrease by 0.8% as compared to 37.2% of the same period of 2017, mainly due to the decrease of revenue proportion of Hefei Financial Harbour project and Wuhan Creative Capital project as compared with the same period in 2017 while both projects have relatively high gross profit margin.

Other Income and Gains/(Losses) – net

During the Reporting Period, other income and gains/(losses) – net of the Group was the net revenue of RMB55.0 million, representing an increase of RMB62.2 million as compared with the net loss of RMB7.2 million in the same period of 2017, primarily due to: (i) gains from disposal of investment properties in Qingdao during the current period; and (ii) gains from diluted shareholding in Easylinkin Technology resulting from new equity financing during the current 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, the selling and distribution expenses of the Group was RMB36.7 million, representing a decrease of RMB4.3 million as compared with the same period in 2017, primarily due to a decrease in advertising and promotional expenses with many projects of the Group are under construction or proposed to construct during the current period.

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 RMB119.0 million, representing an increase of RMB3.5 million as compared with the same period in 2017 mainly due to additional subsidiaries of the Group during the current period as compared with the same period in 2017.

Fair Value Changes on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB28.4 million, representing a decrease of RMB79.1 million as compared with the same period in 2017, primarily due to (i) a decrease in the area of investment properties newly added by the Group during the current period as compared with the same period in last year; and (ii) transfer out of fair value change resulting from the disposal of investment properties in Qingdao during the current period.

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB70.4 million, representing a decrease of RMB140.8 million as compared with the same period in 2017, which was primarily due to (i) a decrease in PRC land appreciation tax expense of RMB53.2 million resulting from the Group's low income from sales of industrial park in the first half of the year; (ii) a decrease in PRC corporate income tax expense of RMB66.3 million; (iii) a decrease in deferred tax expense of RMB25.5 million; and (iv) an increase in withholding tax of RMB4.2 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 RMB103.3 million, representing a decrease of RMB83.3 million as compared with the same period in 2017. After deduction of the post-tax fair value gains on investment properties, the core net profit as at 30 June 2018 was approximately RMB92.7 million, representing a decrease of 32.5% as compared with the RMB137.3 million in the same period of 2017.

Liquidity and Capital Resources

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 2018, the Group's net cash outflow from operating activities was RMB507.0 million, which was mainly because the Group increased the land expenses of Chengdu Chip Valley and Changsha CEC Software Park project. Meanwhile, cash inflow from industrial park space services decreased due to the adjustment to the Group's sales pattern in the first half of 2018.

In the first half of 2018, the Group's net cash inflow from financing activities was RMB840.3 million. Cash inflow from financing activities mainly came from bank borrowings and other borrowings.

Indebtedness

The Group's total outstanding indebtedness increased by RMB790.0 million from RMB3,668.7 million as at 31 December 2017 to RMB4,458.7 million as at 30 June 2018.

Capital Expenditure and Capital Commitment

During the Reporting Period, capital expenditure of the Group was RMB29.3 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 2018, the Group's outstanding commitments related to property development expenditure and investment was RMB1,000.8 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 2018, the Group had 6,400 full-time employees. The employment cost of the Group was approximately RMB206.7 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 of an amount ranging from 18.0% to 20.0% 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.

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

During the Reporting Period, the Company repurchased a total of 81,868,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$53,601,440. On 10 January 2018 and 29 May 2018, the Company cancelled 13,244,000 and 57,708,000, respectively, being shares repurchased during the period between 19 December 2017 and 18 May 2018. On 19 July 2018, the Company cancelled 24,160,000 shares, being all of the uncancelled shares repurchased during the Reporting Period.

Particulars of the repurchases are as follows:

Month	**Number of shares repurchased**	**Purchase price per share**		**Aggregate consideration**
		Highest	**Lowest**	
		(HK$)	*(HK$)*	*(HK$)*
January 2018	1,300,000	0.72	0.72	936,000
March 2018	8,508,000	0.68	0.64	5,655,480
April 2018	10,344,000	0.68	0.65	6,950,760
May 2018	46,492,000	0.66	0.64	30,094,000
June 2018	15,224,000	0.67	0.63	9,965,200
	81,868,000			53,601,440

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 2018.

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 the shareholders of the Company ("**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 the chairman and the chief executive officer 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 enquiries 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 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 2018.

DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2018 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 2018 interim report will be despatched to the Shareholders 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
23 August 2018

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

* *For identification purpose only*