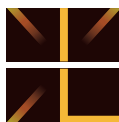


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中电光谷

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)

**CONNECTED TRANSACTION
LEASE AGREEMENT**

The Board is pleased to announce that on 27 May 2019, Shenzhen i-Valley (an indirect 60% subsidiary of the Company) entered into the Supplemental Agreements to the Lease Agreement with CEIS pursuant to which the term of the Lease Agreement shall be extended to 10 November 2023.

CEIS is an indirect wholly-owned subsidiary of China Electronics Corporation Limited (中國電子信息產業集團有限公司), while China Electronics Corporation Limited is indirectly interested in approximately 33.67% of the issued share capital of the Company. Therefore, China Electronics Corporation Limited is a controlling Shareholder of the Company, and CEIS, being China Electronics Corporation Limited's associate, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Lease Agreement (as supplemented by the Supplemental Agreements) on the basis of the estimated value of right-of-use asset exceed 0.1% but do not exceed 5%, the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) are subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. INTRODUCTION

Reference is made to the announcement of the Company dated 8 November 2018 in respect of the Lease Agreement for a term from 11 November 2018 to 25 July 2021.

The Board is pleased to announce that on 27 May 2019, Shenzhen i-Valley (an indirect 60% subsidiary of the Company) entered into the Supplemental Agreements to the Lease Agreement with CEIS pursuant to which the term of the Lease Agreement shall be extended to 10 November 2023.

II. LEASE AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENTS)

A summary of the salient terms of the Lease Agreement (as supplemented by the Supplemental Agreements) is set out below.

Date:	27 May 2019
Parties:	1. Shenzhen i-Valley 2. CEIS
Duration:	11 November 2018 to 10 November 2023
Subject:	CEIS has agreed to lease certain properties (the “ Properties ”) situated at 深圳市福田區振華路中電迪富大廈1至4層及12層 (1st to 4th floors and 12nd floor, Zhongdiandifu Mansion, Zhenhua Road, Futian District, Shenzhen City*) in the PRC with an aggregate gross floor area of 8,114.98 square meters to Shenzhen i-Valley at an aggregate monthly rental of approximately (i) RMB1,411,877.10 for the period from 11 November 2018 to 10 December 2019 (with a rent-free period from 11 November 2018 to 10 December 2018); (ii) RMB1,454,233.42 for the period from 11 December 2019 to 10 December 2020; (iii) RMB1,497,842.96 for the period from 11 December 2020 to 10 December 2021; (iv) RMB1,542,825.97 for the period from 11 December 2020 to 10 December 2022; and (v) RMB1,589,143.37 for the period from 11 December 2020 to 10 November 2023.

Price determination: The rental amount was determined based on arm's length negotiations between CEIS and Shenzhen i-Valley with reference to the prevailing market price of leases of comparable properties

Payment terms: The monthly rental shall be paid in cash by Shenzhen i-Valley to CEIS five days prior to beginning of the relevant month; and a deposit equivalent to two months rentals, which shall be adjusted in accordance with the rental, shall be paid by Shenzhen i-Valley to CEIS within five business days from the execution of the Lease Agreement, which shall be refunded after the return of the properties to CEIS and settlement of rentals at the end of term of the Lease Agreement (as supplemented by the Supplemental Agreements).

The user of such properties is commercial and office.

III. REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENTS

In view of the historical friendly relationship between CEIS and the Group, and the location of the Properties of CEIS being in line with the expansion in the operation and business of the Group, the Directors (including the independent non-executive Directors) consider that leasing the Properties from CEIS under Lease Agreement (as supplemented by the Supplemental Agreements) could expedite the development of the Group's value-innovation business through the renovation of old properties, and in turn establish a benchmark for quality project operations, which is expected to bring a positive impact on the Group's development of cross-regional projects in the future, increase in income from the provision of various services, and promotion of the sustainable development of the Group.

Pursuant to 《華強上步片區產業空間供給側改革專項政策》 (“Huaqiang Shangbu District Industrial Space Supply-side Reform Specific Policy”*), the Shenzhen Futian government shall grant subsidy to any qualified operating units of the properties located in applicable regions, provided that, among other things, such properties are leased for no less than five years. Shenzhen i-Valley, being the operating unit of the Properties (which are within the applicable regions), will become a qualified operating unit if the period for leasing of the Properties is not less than five years. Accordingly, Shenzhen i-Valley and CEIS entered into the Supplemental Agreements to extend the term of the Lease Agreement accordingly, which is also in line with the development progress and operating needs for the relevant projects of the Group.

In determining the rental for the Lease Agreement (as supplemented by the Supplemental Agreements) above, the Group made reference to market prices of leases of comparable properties and the valuation of rentals of similar properties in the same area provided by CEIS. The Group took into consideration a range of relevant factors (such as location, size,

transportation, and facilities of the properties) to determine whether the properties were suitable for the Group and its business. The Directors are of the view that the above mentioned methods and procedures can ensure that the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) will be conducted on normal commercial terms or better and not prejudicial to the interest of the Company's minority Shareholders.

IV. OPINION FROM THE INDEPENDENT FINANCIAL ADVISER

Since the duration of the Lease Agreement (as supplemented by the Supplemental Agreements) is longer than three years, the Company has appointed Gram Capital as its independent financial adviser to explain why the Lease Agreement (as supplemented by the Supplemental Agreements) requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

In assessing the reasons for the duration of the Lease Agreement (as supplemented by the Supplemental Agreements) to be longer than three years, Gram Capital have considered the following factors:

- (i) according to 《華強上步片區產業空間供給側改革專項政策》(Huaqiang Shangbu District Industrial Space Supply-side Reform Specific Policy*), the Shenzhen Futian government shall grant subsidy to any qualified operating units of the properties located in applicable regions, provided that, among other things, such properties are leased for no less than five years. Shenzhen i-Valley, being the operating unit of the Properties (which are within the applicable regions), will become a qualified operating unit if the period for leasing of the Properties is not less than five years.
- (ii) there will be substantial capital expenditure incurred by Shenzhen i-Valley in the renovation of the Properties. It is in the interest of the Group to secure a longer term of lease and avoid frequent relocation which may be costly;
- (iii) leasing of the Properties could expedite the development of the Group's value-innovation business through the renovation of old properties, and in turn establish a benchmark for quality project operations, which is expected to bring a positive impact on the Group's development of cross-regional projects in the future. It is to the benefit of the Group to keep the renovated properties at a stable location for longer-term; and
- (iv) the Group expects to re-lease the renovated Properties to the Group's clients. The term of individual agreement(s) in respect of the leasing of renovated Properties will not exceed the term of the Lease Agreement (as supplemented by the Supplemental Agreements). A longer term of individual agreement(s) would allow the Group to have a more stable source of income and greater flexibilities.

In considering whether it is normal business practice for agreements of similar nature with the lease of properties to have a term of such duration, Gram Capital identified transactions entered into by companies listed on the Stock Exchange involving the leasing of properties, the use of which is for commercial and office purpose, with duration of more than three years. In addition, Gram Capital also reviewed properties lease agreements which are similar in nature to the Lease Agreement (as supplemented by the Supplemental Agreements), entered into between the Company and independent third parties (the “**Comparable Agreements**”). The terms of the Comparable Agreements are over three years.

Taking into account of the above, Gram Capital confirmed that the duration of the Lease Agreement (as supplemented by the Supplemental Agreements), which will be longer than three years, is required and it is normal business practice for the properties leasing to be of such duration.

V. IMPLICATIONS UNDER THE LISTING RULES

CEIS is an indirect wholly-owned subsidiary of China Electronics Corporation Limited (中國電子信息產業集團有限公司), while China Electronics Corporation Limited is indirectly interested in approximately 33.67% of the issued share capital of the Company. Therefore, China Electronics Corporation Limited is a controlling Shareholder of the Company, and CEIS, being China Electronics Corporation Limited’s associate, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 8 November 2018, in respect of the lease under the Lease Agreement (prior to the entering into of the Supplemental Agreements) for the period from 11 November 2018 to 25 July 2021 (being a continuing connected transaction), the annual caps in respect of the Lease Agreement are RMB15,600,000 for the period from 11 November 2018 to 10 November 2019, RMB17,500,000 for the period from 11 November 2019 to 10 November 2020, and RMB12,700,000 for the period from 11 November 2020 to 25 July 2021, respectively. Such annual caps shall continue to apply for the said periods, and the transactions for the said period will continue to be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

The IFRSs applicable to the Group include IFRS 16 “Leases” (which has come into effect on 1 January 2019), pursuant to which the Group (as lessee) shall recognise a lease as a right-of-use asset and a lease liability in the consolidated statement of the financial position of the Group. Accordingly, under the application of IFRS 16, with respect to the lease under the Lease Agreement (as supplemented by the Supplemental Agreements) for the extended term from 26 July 2021 to 10 November 2023, such transaction constitutes a connected transaction (instead of a continuing connected transaction) of the Company.

Since one or more of the applicable percentage ratios stipulated under Rule 14.07 of the Listing Rules in respect of the Lease Agreement (as supplemented by the Supplemental Agreements) on the basis of the estimated value of right-of-use asset exceed 0.1% but do not exceed 5%, the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) are subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) considered the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements) are in the ordinary and usual course of business of the Group on normal commercial terms or better.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Lease Agreement (as supplemented by the Supplemental Agreements), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

At the Board meeting held on 21 May 2019 approving, inter alia, the Supplemental Agreements and the transactions contemplated thereunder, Ms. Wang Qiuju and Mr. Xiang Qunxiong have abstained from voting in respect of the resolution approving the same in view of their respective positions in China Electronics Corporation Limited and/or its subsidiaries. Save as disclosed above, none of the Directors has a material interest in the same.

VI. INFORMATION ON THE GROUP

The Group is devoted to become a leading industrial resources sharing platform in the PRC. Based on its intelligent lifecycle management systems catered for industrial parks, the Group provides tailor-made and integrated solutions for investment, development, investment promotion and operation aspects in respect of its science and technology industrial parks, as well as ideal office, research, and production sites and services to various innovative enterprises.

Shenzhen i-Valley is an indirect 60% subsidiary of the Company and is principally engaged in the digital communications business, the sale of digital communication products, audio equipment, computers, electronic equipment and parts, and the provision of technological maintenance, incubation, business management and investment consultation services.

VII. INFORMATION ON CEIS

CEIS is a company incorporated in the PRC and an indirect wholly-owned subsidiary of China Electronics Corporation Limited, which is in turn the controlling Shareholder of the Company. It is principally engaged in the sale of software, electronic equipment, communication products and consumer electronics products. It also provides property development and consultation, hotel management, import and export, and information technology services.

VIII. DEFINITIONS

In this announcement, unless otherwise defined, terms used herein shall have the following meanings:

“associate”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEIS”	中國中電國際信息服務有限公司 (China Electronics Information Service Company Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of China Electronics Corporation Limited, which is a controlling Shareholder of the Company
“Company”	China Electronics Optics Valley Union Holding Company Limited, a company incorporated in the Cayman Islands with limited liability whose issued shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 57) of the Laws of Hong Kong), the independent financial adviser of the Company in respect of the duration of the Lease Agreement (as supplemented by the Supplemental Agreements)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	International Financial Reporting Standards issued by International Accounting Standards Board
“Lease Agreement”	the lease agreement dated 8 November 2018 between CEIS and Shenzhen i-Valley (as supplemented by the supplemental agreements between CEIS and Shenzhen i-Valley of the same date)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Properties”	has the meaning ascribed to it under the section headed “II. Lease Agreement (as supplemented by the Supplemental Agreements)”
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holders of shares of the Company
“Shenzhen i-Valley”	深圳中電智谷運營有限公司 (Shenzhen CEC i-Valley Operation Co., Ltd.*), a limited liability company established in the PRC and a subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	two supplemental agreements to the Lease Agreement dated 27 May 2019 between CEIS and Shenzhen i-Valley
“%”	per cent.

* *For identification purposes only*

By Order of the Board
China Electronics Optics Valley Union Holding Company Limited
Huang Liping
Chairman

Hong Kong, 27 May 2019

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.