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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 2019**

The board (the “**Board**”) of directors (the “**Directors**”) of China Electronics Optics Valley Union Holding Company Limited (the “**Company**” or “**CEOVU**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**we**”) for the six months ended 30 June 2019 (the “**Reporting Period**”), together with the comparative figures for the six months ended 30 June 2018 as follows. These consolidated interim financial results have not been audited, but have been reviewed by the independent auditor 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

		Unaudited Six months ended 30 June	
		2019	2018
	Notes	RMB'000	RMB'000
Revenue	5	1,143,047	751,299
Cost of sales		<u>(762,842)</u>	<u>(477,587)</u>
Gross profit		380,205	273,712
Other income and other gains – net		104,748	54,960
Selling and distribution expenses		(54,281)	(36,690)
Administrative expenses		(184,111)	(119,259)
Other expenses		(121)	(191)
Net reversal of impairment losses on financial and contract assets		<u>2,831</u>	<u>305</u>
Operating profit before changes in fair value of investment properties		249,271	172,837
Fair value gains on investment properties	10	<u>40,670</u>	<u>28,422</u>
Operating profit after changes in fair value of investment properties		289,941	201,259
Finance income	6	47,907	47,816
Finance costs	6	<u>(100,241)</u>	<u>(85,396)</u>
Net finance costs	6	(52,334)	(37,580)
Share of (losses)/profits of associates	11	(30,279)	10,118
Share of profits of joint ventures	12	<u>12,691</u>	<u>10,556</u>
Profit before income tax		220,019	184,353
Income tax expense	7	<u>(101,478)</u>	<u>(70,375)</u>
Profit for the period		<u>118,541</u>	<u>113,978</u>
Profit attributable to:			
– Owners of the Company		141,209	103,264
– Non-controlling interests		<u>(22,668)</u>	<u>10,714</u>
Profit for the period		<u>118,541</u>	<u>113,978</u>
Basic and diluted earnings per share (RMB cents)	9	<u>1.85</u>	<u>1.34</u>

Interim Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	118,541	113,978
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Currency translation differences	<u>(8,174)</u>	<u>(230,788)</u>
Other comprehensive income for the period, net of tax	<u>(8,174)</u>	<u>(230,788)</u>
Total comprehensive income for the period	<u>110,367</u>	<u>(116,810)</u>
Attributable to:		
– Owners of the Company	133,035	(127,524)
– Non-controlling interests	<u>(22,668)</u>	<u>10,714</u>
Total comprehensive income for the period	<u>110,367</u>	<u>(116,810)</u>

Interim Consolidated Statement of Financial Position

		At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		458,609	454,026
Right-of-use assets		98,626	–
Investment properties	10	3,175,990	2,566,060
Land use rights	4	–	3,394
Intangible assets		25,720	6,475
Investments in associates	11	1,498,310	1,517,876
Investments in joint ventures	12	202,808	190,117
Financial assets at fair value through profit or loss		317,755	235,127
Trade and other receivables	16	303,651	231,581
Deferred income tax assets		44,035	32,714
		<u>6,125,504</u>	<u>5,237,370</u>
Current assets			
Properties under development	13	3,257,047	2,356,821
Completed properties held for sale	14	1,697,109	2,399,282
Inventories	15	72,068	72,832
Trade and other receivables	16	1,965,249	1,921,211
Current income tax assets		–	15,406
Financial assets at fair value through profit or loss		199,173	30,500
Contract assets		869,087	785,452
Deposits in banks with original maturities over three months		91,083	15,637
Restricted cash		590,378	418,883
Cash and cash equivalents		1,869,985	1,927,200
		<u>10,611,179</u>	<u>9,943,224</u>
Current liabilities			
Contract liabilities		473,830	366,293
Trade and other payables	17	2,529,925	2,368,346
Corporate bonds		1,121,763	1,069,185
Bank and other borrowings		1,748,082	1,878,085
Lease liabilities		50,773	–
Dividend payable		161,301	–
Current income tax liabilities		381,004	352,261
Current portion of deferred income		6,248	4,706
		<u>6,472,926</u>	<u>6,038,876</u>
Net current assets		<u>4,138,253</u>	<u>3,904,348</u>
Total assets less current liabilities		<u>10,263,757</u>	<u>9,141,718</u>

		At 30 June 2019 <i>RMB'000</i> (Unaudited)	At 31 December 2018 <i>RMB'000</i> (Audited)
	<i>Note</i>		
Non-current liabilities			
Corporate bonds		794,101	795,739
Bank and other borrowings		1,586,051	1,048,543
Lease liabilities		387,419	—
Deferred income tax liabilities		381,856	327,645
Non-current portion of deferred income		<u>56,230</u>	<u>42,355</u>
		<u>3,205,657</u>	<u>2,214,282</u>
Net assets		<u>7,058,100</u>	<u>6,927,436</u>
Equity			
Share capital	18	623,048	626,839
Treasury shares	18	(120,973)	(132,417)
Reserves		2,871,032	3,051,428
Retained earnings		<u>2,809,432</u>	<u>2,556,537</u>
Total equity attributable to owners of the Company		6,182,539	6,102,387
Non-controlling interests		<u>875,561</u>	<u>825,049</u>
Total equity		<u>7,058,100</u>	<u>6,927,436</u>
Total equity and non-current liabilities		<u>10,263,757</u>	<u>9,141,718</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

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

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

The Company’s 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 21 August 2019 and has been reviewed, not audited.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standards (“**IAS**”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (“**IASB**”). The interim financial information does not include all the notes normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (the “**IFRS**”) and disclosure requirements under the Hong Kong Companies Ordinance; and any public announcements made by the Company during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 IFRS 16 “Leases”.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. 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 but not effective for the financial year beginning on 1 January 2019 and have not been early adopted

		Effective for annual periods beginning on or after
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

4 CHANGE IN ACCOUNTING POLICIES

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 “*Leases*”. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.36%.

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

	2019 RMB’000
Operating lease commitments disclosed as at 31 December 2018	636,880
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	462,488
Lease liability recognised as at 1 January 2019	462,488
Of which are:	
– Current lease liabilities	46,840
– Non-current lease liabilities	415,648

The associated right-of-use assets for property leases, which had been or were planned to be operatingly leased out, were recognised as investment properties and measured at fair value on a retrospective basis as if the new rules had always been applied. The associated right-of-use assets for property leases, which had been financingly leased out, were recognised as receivables and measured at the amount equal to the net investment calculated with the implicit interest rates in the financing leases on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Land use rights (reclassified from “land use rights” in the financial statements)	3,359	3,394
Properties	<u>537,320</u>	<u>565,168</u>
	<u>540,679</u>	<u>568,562</u>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB103,309,000
- Land use rights – decrease by RMB3,394,000
- Investment properties – increase by RMB465,252,000
- Receivables – increase by RMB75,499,000
- Lease liabilities – increase by RMB462,488,000
- Deferred tax liabilities – increase by RMB44,544,000

The net impact on retained earnings on 1 January 2019 was an increase of RMB133,634,000.

(i) *Practical expedients applied:*

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and International Financial Reporting Interpretations Committee 4 “Determining whether an Arrangement contains a Lease”.

(b) The Group’s leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 18 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset (for self-occupation), an investment property (for operating leased-out), a receivable (for financing leased-out) and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option)
- payments of penalties for terminating the lease (if the lease term reflects the lessee exercising that option)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

5 SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). The Group had identified three segments, namely industrial park space services, industrial park operation services and industrial investment. As at 30 June 2019, 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 park operation services: this segment provides services relating to the construction of a number of office and residential buildings for some of the Group's customers, project management and consultation service for the certain projects under construction, property management service, energy service, financing service and other services for industrial parks.
- Industrial investment: this segment represents the Group's industrial-related strategic investments in certain start-up companies. Management considers this segment not reportable as at 30 June 2019 as its revenue, profit or loss and assets are all less than 10% of those of the Group.

(a) Segment results

The measure used for assessing the performance of the operating segments is operating profit as adjusted by excluding fair value gains on investment properties, depreciation and amortisation. 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 2019

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Segment revenue	515,976	938,956	–	1,454,932
Inter-segment revenue	<u>(1,917)</u>	<u>(309,968)</u>	<u>–</u>	<u>(311,885)</u>
Revenue from external customers	<u>514,059</u>	<u>628,988</u>	<u>–</u>	<u>1,143,047</u>
Segment results	<u>226,429</u>	<u>57,816</u>	<u>10,043</u>	<u>294,288</u>
Depreciation and amortisation	<u>(22,297)</u>	<u>(22,565)</u>	<u>(155)</u>	<u>(45,017)</u>

For the six months ended 30 June 2018

	Industrial park space services RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Segment revenue	311,082	565,192	–	876,274
Inter-segment revenue	<u>(1,308)</u>	<u>(123,667)</u>	<u>–</u>	<u>(124,975)</u>
Revenue from external customers	<u>309,774</u>	<u>441,525</u>	<u>–</u>	<u>751,299</u>
Segment results	<u>163,892</u>	<u>5,994</u>	<u>27,129</u>	<u>197,015</u>
Depreciation and amortisation	<u>(10,376)</u>	<u>(13,735)</u>	<u>(67)</u>	<u>(24,178)</u>

(b) Reconciliations of segment revenue and profit or loss

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue		
Segment revenue	1,454,932	876,274
Elimination of inter-segment revenue	(311,885)	(124,975)
Revenue	<u>1,143,047</u>	<u>751,299</u>
Profits		
Segment profits derived from the Group's external customers	294,288	197,015
Fair value gains on investment properties	40,670	28,422
Share of (losses)/profits of associates	(30,279)	10,118
Share of profit of joint ventures	12,691	10,556
Finance income	47,907	47,816
Finance costs	(100,241)	(85,396)
Depreciation and amortisation	(45,017)	(24,178)
Income tax expense	(101,478)	(70,375)
Profit for the period	<u>118,541</u>	<u>113,978</u>

6 PROFIT BEFORE INCOME TAX

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

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
(a) Finance costs:			
Finance income:			
Interest income	17,694	20,992	
Interest income from entrusted loans to associates	28,836	14,843	
Income from wealth management products	889	1,241	
Net foreign exchange gains	488	10,740	
Sub-total	47,907	47,816	
Finance costs:			
Interest expenses of bank and other borrowings	(167,241)	(137,773)	
Interest expenses on leasing liabilities	(9,377)	—	
Capitalised interest expenses	76,377	52,377	
Sub-total	(100,241)	(85,396)	
Net finance costs	(52,334)	(37,580)	
		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
(b) Staff costs:			
Salaries, wages and other benefits	234,709	193,747	
Contributions to defined contribution retirement schemes	15,044	12,918	
	249,753	206,665	

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
(c) Other items:			
Depreciation		44,156	23,332
Amortisation		861	846
Cost of properties sold		204,904	111,905
Cost of construction and goods sold		235,876	143,660
Rentals income from investment properties		(90,186)	(71,533)

7 INCOME TAX EXPENSE

		Six months ended 30 June	
		2019	2018
		RMB'000	RMB'000
Current income tax			
PRC Corporate Income Tax (“CIT”) (Note (ii))		48,579	24,765
PRC Land Appreciation Tax (“LAT”) (Note (iii))		48,437	33,541
Withholding Tax (Note (iv))		–	4,243
		97,016	62,549
Deferred income tax		4,462	7,826
		101,478	70,375

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 2018: 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, the directors reassessed the cash requirements of the Group and the dividend policies of its major subsidiaries established in the PRC, based on the Group’s current business plan and financial position, the directors considered that the retained earnings of the PRC subsidiaries as at 30 June 2019 would not be distributed to their overseas holding companies in the foreseeable future and thus no deferred tax liability was provided accordingly.

8 DIVIDENDS

The board of directors does not recommend the distribution of any interim dividend for the six months ended 30 June 2019.

9 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 RMB141,209,000 (six months ended 30 June 2018: RMB103,264,000). The weighted average number of ordinary shares (excluding treasury stocks) for the six months ended 30 June 2019 is approximately 7,646,905,000 (six months ended 30 June 2018: 7,689,079,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares for the six months ended 30 June 2019 and the six months ended 30 June 2018 and therefore, diluted earnings per share equals to basic earnings per share.

10 INVESTMENT PROPERTIES

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Beginning of the period	2,566,060	2,317,890
Impact of adoption of IFRS 16 (<i>Note 4</i>)	<u>465,252</u>	<u>—</u>
Restated beginning of the period	3,031,312	2,317,890
Transfer from completed properties held for sale	65,135	65,689
Other additions	40,570	11,277
Fair value gains	40,670	28,422
Disposals	<u>(1,697)</u>	<u>(24,248)</u>
End of the period	<u>3,175,990</u>	<u>2,399,030</u>

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 transfer date and at 30 June 2019 by Cushman & Wakefield International Properties Advisers ("C&W"), an independent firm of surveyors. During the six months ended 30 June 2019, a total gain of RMB40,670,000 (six months ended 30 June 2018: RMB28,422,000), and deferred tax thereon of RMB10,168,000 (six months ended 30 June 2018: RMB7,105,500), were recognised in the consolidated statement of profit or loss for the period in respect of investment properties.

As at 30 June 2019, except for those property interests held under operating leases that were classified and accounted for as investment properties from adoption of IFRS 16, certain other investment properties of the Group with carrying value of RMB404,200,000 (31 December 2018: RMB344,950,000), were without building ownership certificate and the Group was in progress of obtaining the relevant building ownership certificate.

11 INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	1,517,876	1,267,909
Additions	13,713	37,102
Share of post-tax (losses)/profits of associates	(30,279)	10,118
Disposals	(3,000)	–
Gains from deemed partial disposal	–	29,950
End of the period	1,498,310	1,345,079

12 INVESTMENTS IN JOINT VENTURES

	Six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the period	190,117	143,431
Addition	–	333,018
Reduction of capital	–	(21,260)
Dividend received	–	(4,903)
Transfer to a subsidiary	–	(7,694)
Share of post-tax profit of joint ventures	12,691	10,556
End of the period	202,808	453,148

13 PROPERTIES UNDER DEVELOPMENT

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

	At 30 June	At 31 December
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Expected to be completed for sale within one year		
Properties under development for sale	1,987,887	1,217,789
Expected to be completed for sale after more than one year		
Properties under development for sale	1,269,160	1,139,032
	3,257,047	2,356,821

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

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
In the PRC, with lease term of 40 years or more	<u>1,073,393</u>	<u>929,472</u>

14 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.

15 INVENTORIES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Work in progress	12,369	19,347
Finished goods	58,088	52,395
Raw materials	<u>1,611</u>	<u>1,090</u>
	<u>72,068</u>	<u>72,832</u>

16 TRADE AND OTHER RECEIVABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Current portion		
Trade receivables	818,989	710,986
Notes receivables	27,722	18,124
Other amounts due from related parties	53,546	56,606
Deposits receivable	26,412	26,188
Prepayments for construction cost and raw materials	107,491	170,908
Consideration receivable	–	50,000
Loans to related parties	75,236	236,876
Interest receivables from loans to related parties	253	–
Loans to third parties	479,633	487,773
Prepaid turnover tax and other taxes	186,839	59,233
Others	241,333	143,866
Less: loss allowance provision	<u>(52,205)</u>	<u>(39,349)</u>
	<u>1,965,249</u>	<u>1,921,211</u>
Non-current portion		
Receivables from finance leases	70,653	–
Prepayments for acquisition of certain properties	67,895	67,895
Trade receivables	3,642	11,065
Loans to related parties	4,468	–
Loans to a third party	156,993	152,021
Prepayments for acquisition of certain equity interests	<u>–</u>	<u>600</u>
Less: loss allowance provision	<u>303,651</u>	<u>231,581</u>
Total	<u><u>2,268,900</u></u>	<u><u>2,152,792</u></u>

Trade and bill receivables 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 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	177,792	311,281
1 to 3 months	34,289	66,249
3 to 6 months	313,911	116,899
Over 6 months	367,292	227,622
	<u>893,284</u>	<u>722,051</u>

- (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.

17 TRADE AND OTHER PAYABLES

	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Trade creditors and bills payable	1,498,662	1,385,648
Loans due to third parties	269,445	269,445
Loans due to a related party	40,000	40,000
Other amounts due to related parties	63,923	63,312
Construction guaranteed deposits payable	121,900	82,752
Accrued payroll	17,639	61,188
Interests payable	33,194	41,758
Other payables and accruals	485,162	424,243
Total	<u>2,529,925</u>	<u>2,368,346</u>

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 2019 RMB'000	At 31 December 2018 RMB'000
Within 1 month	223,607	979,170
1 to 12 months	1,024,994	181,231
Over 12 months	250,061	225,247
	<u>1,498,662</u>	<u>1,385,648</u>

18 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, 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 2019			At 31 December 2018		
	No. of Shares (<i>'000</i>)	Treasury shares RMB'000	RMB'000	No. of Shares (<i>'000</i>)	Treasury Shares RMB'000	RMB'000
Ordinary shares, issued and fully paid:						
At 1 January	7,618,212	626,839	(132,417)	7,713,324	634,716	(122,469)
Shares repurchased for cancellation (a)	–	–	(4,317)	–	–	(54,828)
Shares cancelled (a)	<u>(43,860)</u>	<u>(3,791)</u>	<u>15,761</u>	<u>(95,112)</u>	<u>(7,877)</u>	<u>44,880</u>
At the end of the period	<u>7,574,352</u>	<u>623,048</u>	<u>(120,973)</u>	<u>7,618,212</u>	<u>626,839</u>	<u>(132,417)</u>

- (a) During the period ended 30 June 2019, the Company repurchased a total 12,024,000 shares at a total consideration of HK\$4,999,360 (equivalent to RMB4,317,000) for cancellation purpose. The Company cancelled a total 43,860,000 shares on 24 January 2019 (being shares repurchased during the period between 5 December 2018 and 11 January 2019).
- (b) As at 30 June 2019, out of the existing treasury shares amounting to 152,998,000 shares (31 December 2018: 184,834,000 shares), 152,998,000 shares (31 December 2018: 152,998,000 shares) were for a share award scheme purpose, while none (31 December 2018: 31,836,000 shares) of the remaining treasury shares were for cancellation purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL INFORMATION

The independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2019 in accordance with International Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity.

HIGHLIGHTS OF THE FIRST HALF OF 2019

For the six months ended 30 June 2019, the Group secured contracts involving an amount of RMB4,660.0 million, among which, the amount contracted for industrial park operation service was RMB3,874.0 million, representing 83.1% of the total contracted amount; sales of industrial parks contracted an amount of RMB786.0 million, representing 16.9% of the total contracted amount. The integrated operation achievement of the opening year of the new growth period was significant.

For the six months ended 30 June 2019, the Group achieved an income of RMB1,143.0 million, representing an increase of 52.1% as compared to the same period in 2018, among which, income from industrial park space services represented 45.0% of the total income, and income from industrial park operation services represented 55.0% of the total income. The adjustment of income structure well reflected the effectiveness of the strategic opening of the new growth period of the Group.

For the six months ended 30 June 2019, the Group achieved a profit attributable to owners of the Company of RMB141.2 million, representing an increase of 36.7% as compared to the same period in 2018.

As at 30 June 2019, the Group has high-quality land bank for industrial parks of approximately 5,925,000 sq.m. in various cities. The high-quality land bank for industrial parks are mainly located in cities such as Chengdu, Changsha, Shanghai, Ningbo and Luoyang.

As at 30 June 2019, the Group's total bank borrowings and bonds payable amounted to RMB5,250.0 million, among which, corporate bonds payable was approximately RMB1,915.9 million, representing 36.5% of the total bank borrowings and total bonds payable; liquidity loans that supported the integrated operation transformation of industrial parks amounted to approximately RMB1,945.0 million, representing 37.0% of the total bank borrowings and the total bonds payables; and average borrowing cost amounted to 6.2%.

BUSINESS REVIEW

As of the end of 2018, the effect of the strategies of the four-year transformation and reform that the Group persisted in implementing was significant. The Group sought to achieve a sustainable development under the economic environment with uncertainties, gradually transforming itself from a professional industrial park development operation group to an “innovative ecology” creator and an “industrial resource sharing platform”, forming a “system planning” and “integrated operation” methodology system and a full industrial chain synergistic development mechanism. 2019 is the opening year of the new growth period and the year of innovation cultural construction of the Group, in which integrated operation business achieved a relatively big breakthrough. For the six months ended 30 June 2019, the amount contracted for industrial park operation service was approximately RMB3,874.0 million. As of the date of publication of this announcement, the integrated operation service of the network safety base, for which the Group has won a bid with a term of service of 12 years, has a total amount of RMB1,403.0 million. This reflected the effective integration of various operation businesses of the Group.

As at 30 June 2019, the Group owned the following three segments: (i) industrial park space services business (including sale and leasing of industrial park space); (ii) industrial park operation services (including design and construction services, property management services, energy services, informatized technology and digital park (apartment) service, incubator and office sharing services, industrial park financial services, group catering and hotel services, real estate marketing and agency, apartment leasing as well as recreation and entertainment); and (iii) industrial investment (industrial-related strategic investment businesses in various theme parks).

REVENUE BY BUSINESS SEGMENTS

	Period ended 30 June			
	2019		2018	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial Park Space Services	514,059	45.0%	309,774	41.2%
Sales of Industrial Park	419,556	36.7%	236,378	31.5%
Industrial Park Leasing	87,422	7.6%	68,793	9.2%
Sales of Ancillary Residential Properties	7,081	0.7%	4,603	0.5%
Industrial Park Operation				
Services	628,988	55.0%	441,525	58.8%
Design and Construction				
Services	266,593	23.3%	174,289	23.2%
Property Management Service	230,455	20.2%	139,586	18.6%
Energy Services	45,569	4.0%	21,263	2.8%
Group Catering and Hotel				
Services in the Park	29,008	2.5%	24,656	3.3%
Financial Services in the Park	12,929	1.1%	12,544	1.7%
Others	44,434	3.9%	69,187	9.2%
Total	<u>1,143,047</u>	<u>100.0%</u>	<u>751,299</u>	<u>100.0%</u>

Industrial Park Space Services

In the first half of 2019, the income from the industrial park space services of the Group was RMB514.1 million, representing an increase of 65.9% as compared to the same period in 2018, among which, the sales income from industrial park properties was RMB419.6 million, representing a growth of 77.5% as compared to the same period in 2018, with a booked sales area of 60,000 sq.m., representing an increase of 74.6% compared to the same period in 2018. Industrial park lease income amounted to RMB87.4 million, representing a growth of 27.1% as compared to the same period in 2018, with a property lease area of 289,000 sq.m. and occupancy rate of over 80%.

For the six months ended 30 June 2019, properties sold and delivered include:

Properties sold and delivered	2019			2018		
	Revenue	GFA sold and delivered	Recognized average selling price	Revenue	GFA sold and delivered	Recognized average selling price
	(RMB'000)	(sq.m.)	(RMB per sq.m.)	(RMB'000)	(sq.m.)	(RMB per sq.m.)
Wuhan Creative Capital	23,125	1,765	13,102	131,212	9,458	13,873
Wuhan Innocenter	10,636	1,512	7,035	–	–	–
Ezhou OVU Science and Technology City	19,052	6,431	2,962	37,123	13,188	2,815
Huanggang OVU Science and Technology City	18,568	6,847	2,712	2,539	977	2,599
Huangshi OVU Science and Technology City	1,730	364	4,754	–	–	–
Qingdao Innocenter	61,478	9,020	6,815	22,662	3,319	6,827
Qingdao International Marine Information Harbour	–	–	–	7,454	988	7,548
Shenyang CEOVU Information Harbour	8,513	2,911	2,925	5,443	1,951	2,790
Hefei Financial Harbor	246,418	26,044	9,462	34,548	4,432	7,795
Changsha CEC Software Park	29,745	4,400	6,761	–	–	–
Others	7,372	613	12,026	–	–	–
Total	<u>426,637</u>	<u>59,907</u>	<u>7,122</u>	<u>240,981</u>	<u>34,313</u>	<u>7,023</u>

Sales of Industrial Park

In the first half of 2019, the income from sales of industrial park of the Group was mainly generated from Hefei, Qingdao, Changsha, Wuhan and others, among which, the sales income from Hefei project reached RMB246.4 million, accounting for 57.8% of the income from sales of industrial park; the sales income from Qingdao project reached RMB61.5 million, accounting for 14.4% of the income from sales of industrial park. Excluding the projects in Wuhan, the proportion of sales from projects in other cities reached 90.5%, and the development of the Group's industrial park business in other major cities across the country has achieved good results.

The Group considers that the growth in the income from sales of industrial park during the Reporting Period was mainly attributable to: (1) various types of industrial parks arranged by the Group in various cities across China that have led industries in various locations to gather, and become the representatives of the respective cities, which was also favorable to the sustainable growth of the sales income from industrial parks of the Group; (2) the recognition from the Group's clients as to the positioning, design and construction standards of the industrial parks provided by the Group; (3) the adoption of flexible and appropriate business solicitation strategies by the Group according to the demands of our customers; and (4) that the "industrial resource sharing platform" created by the Group has further enriched and facilitated further expansion regarding investment promotion work for its industrial parks for integrated operation services.

Summary regarding the sales of industrial park

For the six months ended 30 June 2019, the details of the Group's contracted sales amount and contracted area of sales of industrial park are as follows:

City and project	Contracted amount <i>(RMB'000)</i>		Contracted area <i>(sq.m.)</i>	
	2019	2018	2019	2018
Wuhan Creative Capital	44,281	132,257	3,384	9,167
Wuhan Innocenter	8,062	–	589	–
Ezhou OVU Science and Technology City	26,022	14,377	7,391	4,623
Huangshi OVU Science and Technology City	2,590	4,206	530	796
Huanggang OVU Science and Technology City	32,563	7,973	7,185	2,278
Changsha CEC Industrial Park	187,257	27,900	26,548	3,844
Shenyang CEOVU Information Harbour	57,245	51,546	18,230	16,656
China Electronics Xi'an Industrial Park	21,064	32,727	4,080	6,533
Qingdao International Marine Information Harbour	28,710	178,234	3,226	24,975
Qingdao Innocenter	25,529	87,160	3,020	12,131
Hefei Financial Harbor	305,688	139,383	29,455	15,245
Luoyang China Electronics Optics Valley Information Harbour	30,559	–	8,318	–
China Electronics Wenzhou Industrial Park	–	84,809	–	23,552
Others	16,443	10,891	1,227	284
Total	<u>786,013</u>	<u>771,463</u>	<u>113,183</u>	<u>120,084</u>

Development and Progress of Industrial Park

During the Reporting Period, the total area of new development in industrial parks was 252,000 sq.m. and the total area of new completion was 44,000 sq.m.. As at 30 June 2019, the total area under construction was approximately 907,000 sq.m..

Land Bank of the Industrial Parks

During the Reporting Period, the Group has owned a high quality land bank for the industrial parks of approximately 5,925,000 sq.m., in various cities, namely Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Xi'an, Wenzhou, Luoyang, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai and Ningbo.

Table of Land Bank for the Industrial Parks

An overview of the land bank for the industrial parks as of 30 June 2019 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%	29,492
4	Creative Capital	Wuhan	16 Yezhihu West Road, Hongshan District, Wuhan, Hubei Province	Commercial	100%	183,349
5	Wuhan Innocenter	Wuhan	Intersection of Guanggu Avenue and Yangqiaohu Avenue, Wuhan, Hubei Province	Industrial	100%	197,922
6	Lido 2046	Wuhan	175 Xiongchu Avenue, Wuhan, Hubei Province	Residential	100%	1,853
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%	308,451
9	Qingdao Innocenter	Qingdao	East of Emeishan Road, West of Jiangshan Road, South of Yi Zhong Development Zone, Qingdao, Shandong Province	Residential/ Industrial	100%	88,948

No.	Project	City	Location	Usage	Interest	Land Bank (sq.m.)
					Attributable to the Group	
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%	146,661
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%	2,015
13	Shenyang CEOVU Information Harbour	Shenyang	Intersection of Qixing Street and Fourth Ring Road, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	133,604
14	Shenyang Maker Corporation	Shenyang	12 Qixing Street, Shenbei New District, Shenyang, Liaoning Province	Industrial	100%	36,716
15	Ezhou OVU Science and Technology City	Ezhou	Gaoxin Third Road, Gedian Development Zone, Ezhou, Hubei Province	Industrial	80%	282,270
16	Huangshi OVU Science and Technology City	Huangshi	Intersection of Baoshan Road and Jinshan Boulevard, Golden Hill New Industrial Zone, Huangshi, Hubei Province	Industrial	100%	176,652
17	Lido Top View	Huangshi	76 Hangzhou West Road, Huangshi Development Zone, Hubei Province	Residential	100%	16,461
18	Hefei Financial Harbour	Hefei	Intersection of Huizhou Avenue and Yangzijiang Road, Hefei, Anhui Province	Commercial	100%	407,364
19	Xi'an Industrial Park	Xi'an	West of Caotanshi Road, North of Shangji Road, Xi'an, Shaanxi Province	Industrial	73.9%	240,190

No.	Project	City	Location	Usage	Interest Attributable to the Group	Land Bank (sq.m.)
20	Wenzhou Industrial Park	Wenzhou	Jinhai Park, Wenzhou Economic and Industrial Technological Development Zone, Wenzhou, Zhejiang Province		95%	285,347
21	Changsha CEC Software Park	Changsha	Yuelu Avenue in High-tech Industrial Development Zone, Changsha	Industrial	100%	435,394
22	Shanghai Logistic Enterprise Community	Shanghai	114/1 Hill, 101 Street, Songjiang Industrial Park, Songjiang District, Shanghai	Industrial	100%	235,400
23	Chengdu Core Valley	Chengdu	Group 1 of Fengle Community, Dongsheng Street, Group 7 of Guangrong Community, Peng Town, Chengdu	Commercial Service	80%	180,196
24	Luoyang China Electronics Optics Valley Information Harbour	Luoyang	The intersection of Guanlin Road and Longshan Line, Luolong District, Luoyang, Henan Province	Industrial	70%	91,507
25	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%	1,372,772
26	Zhuhai Hengqin Zhishuyun	Zhuhai	East of Fubang Road, south of Xingsheng Third Road, west of Fuguo Road and north of Xingsheng Second Road, Hengqin New District, Zhuhai, China	Commercial	30%	53,618
27	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%	724,111
Total						<u>5,924,558</u>

Industrial Park Leasing

During the Reporting Period, the income from industrial park leasing amounted to RMB87.4 million, representing an increase of 27.1% as compared to the same period in 2018. The area of the self-owned high quality properties reached 289,000 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.

During the Reporting Period, the Group has applied the IFRS 16 “Leasing”. For details regarding the financial impacts of the initial application of the standards, please refer to note 4 of the financial report.

Industrial Park Operation Services

At the current stage, the Group has formed 15 types of integrated operation business service, including digital park system, digital apartment system, strategic planning for projects, project planning, construction and design, general contracting work, decoration work, real estate agency, regional energy services, property management, shared offices, long-term apartments, financial services in parks, catering and hotels. It was equipped with 8 types of combinations of integrated operation service that takes consultation and planning, informatized technology and digital park (apartment) solutions, integrated operation life cycle services, EPC, smart facility equipment, investment promotion, dual-innovation services and regional energy management as the entry point. As of the date of publication of this announcement, the contracted amount for operation service of the Group amounted to approximately RMB5,277.0 million, mainly due to the integrated operation project for the Wuhan Network Safety Base, which included various types of services such as comprehensive construction management property management, group catering and DHC business for a period of 12 years and the EPC project of the Xianyang Qidian Science and Technology City.

During the Reporting Period, the turnover of the industrial park operation service of the Group amounted to RMB629.0 million, representing an increase of 42.5% as compared to the same period in 2018. The Group provided a variety of one-stop operation services 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 consulting 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.

Design and Construction Services

Integrated Operation Service that Takes EPC as the Entry Point

In recent years, the governmental procurement services, which originate from local exploration reforms, have been promoted to a national strategy. The central and the local governments have issued a number of laws and regulations to support, encourage and standardize government procurement. In particular, the development of new industrial towns and development areas of new districts provides a broader stage for the business development of industrial and real estate development and operation enterprises. 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, the Group provides the government, institutions and related corporations with comprehensive EPC integrated design and construction services, ranging from design, tender and procurement to construction.

Integrated Operation Service that Takes Consultation and Planning as the Entry Point

In 2019, under the “one platform and two methodologies” strategic guidance, through fully utilizing its strategic effect of consultation, the Group consolidated conventional businesses, expanded emerging businesses and deepened the “consultation +” sustainable development model, dug deep into its integrated operation mode which takes consultation and planning as the entry point, and continued to explore the long-tail profit mode, unearthed deeply the industrial resources in places such as Chongqing, Yanan and Yinchuan, enriching and substantiating the implementation of industrial resource sharing platforms of CEOVU.

During the Reporting Period, the Group’s design and construction service income was RMB266.6 million, representing an increase of 53.0% as compared to the same period in 2018.

Property Management Service

During the Reporting Period, the revenue from the property management service of the Group was RMB230.5 million, representing an increase of 65.1% as compared to the same period of 2018, among which, income from property management service provided to industrial park projects accounted for 65.0% and income from property management service provided to projects other than the Group’s projects accounted for 35.0%. During the Reporting Period, the area of the property management service reached 22,879,500 sq.m., of which the area of corporate customer services accounted for 58.0%.

During the Reporting Period, the Group utilized the Internet-of-Things, BIM 3D visualization technology and mobile Internet technology to reform its existing property management model, which substantially reduced staff costs and improved management efficiency as well as customers’ satisfaction.

Through the integrated application of sensors, Internet-of-Things, operation & management software and platforms, the Group has preliminarily established its own management model applicable to intelligent business parks. Taking into account both the potential booming prospects 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 RMB45.6 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 30 June 2019, CEEC had 25 utility models, 11 patents for invention and 4 software copyrights relating to its self-developed energy saving control system, research and development for the CLP smart self-control energy-saving system was also fundamentally completed, external DHC businesses undertaken such as the energy station of Creative Optics Valley and Smart Eco-city have also commenced.

Currently, CEEC’s business is carried out mainly in Wuhan and Hefei, and will speed up its pace in implementing the transformation of the DHC energy service business from an endogenous approach to a market-oriented approach. Development will be accelerated by adopting a variety of measures such as autonomous investment and operation, agent construction operation and management consultation. Through the strategic cooperation with competitive enterprises within the same district, the Group strives to dominate the domestic DHC market swiftly and become the leader in China’s DHC market.

Group Catering and Hotel Services

Based in the industrial parks, Quanpai Catering (全派餐飲) not only provides services for the Group, but also promotes the business atmosphere in the park as a business incubator at the same time, attracting various businesses into the park and improving its comprehensive service ability. Since it was set up seven years ago, Quanpai Catering has gradually established its brand in the group catering industry in Wuhan. It has continuously and actively expanded the market on top of the solid foundation laid. At present, Quanpai Catering has 28 market projects, among which 5 were new during the Reporting Period. During the Reporting Period, Quanpai Catering has won the bid for a canteen project for First Hospital of Wuhan, which will provide breakfast, lunch and dinner meal services and provide corresponding independent consumption services such as cooked food, milk, fruits, beverages, rice and oil and non-staple food. Turnover for the year amounted to approximately RMB24.0 million, with a term of service of 3 years. Adhering to its positioning as an art boutique hotel, Ziyuan Hotel tapped the potential, lowered the cost and enhanced the efficiency under the premise of focusing on its brand effect. In the first half of 2019, group catering and hotel services realized an output of RMB46.7 million and a revenue of RMB29.0 million.

Financial Services in Parks

During the six months ended 30 June 2019, Wuhan Lingdu Capital Investment 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, has been in full charge of 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 use, 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 2019, Lingdu Capital, together with relevant government and other institutions, initiated to establish certain funds with a total scale exceeding RMB650 million. As of 30 June 2019, the Group initiated and organized an entrepreneurship competition named “Yizhidu Show” (億隻獨SHOW), and organized jointly with China Electronics Corporation* (中國電子信息產業集團有限公司) (“CEC”) the CEC Partner Conference (中電合作夥伴大會), the CEC i plus innovation and creativity competition (中電i+創新創意大賽) and the Uzbekistan “One Belt, One Road” Business Inspection* (烏茲別克斯坦「一帶一路」商務考察) 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 2019, the Group has entered into investment agreements with 24 companies involving a total amount of RMB160 million. Such companies include Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) (“**Easylinkin Technology**”), Wuhan Beida High-Technology Software Company Limited* (武漢北大高科軟件股份有限公司) and Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) (“**Huada Beidou**”).

Growing Business Innovation and Guarantee Co., Ltd.,* (成長企業創新擔保有限公司), 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, cooperated with various banks such as the Industrial and Commercial Bank and the Bank of Communications takes providing financing guarantee services for SMEs as its core business and financial services for industrial parks as its feature, rendering it the exemplary case of new economy and new industries of its inclusive financial service. In the first half of 2019, we provided 12 batches of financing services of an amount of RMB89.3 million in total, recording income of RMB12.9 million.

Informatized Technology and Digital Park (Apartment) Services

During the Reporting Period, the Group made a historic move in industrial ecological development with digital park development as its focus. With industrial park application scenarios as its motive and objective, key technology as the point of breakthrough 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. Combining the above with offline service resources such as Lido Property, Lido Technology, Domainblue Smart and Quanpai Life (全派生活), we preliminarily established an 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 2019, through optimizing its technical service, Domainblue Smart continuously verified the competence of its business units to prepare for the marketization of the online and offline output facilities and equipment integrated operation service.

During the Reporting Period, based on its experience in constructing and operating long-term ancillary apartment in industrial parks in the past ten years, the Group has planned and finished constructing a complete set of digital apartment system, including a digital apartment software platform and an operation service system. The digital apartment platform utilized various advanced Internet-of-Things equipment and technological achievement flexibly, and has built a digital apartment platform with low power consumption, high sensitivity, business agility and operational convenience. It integrates multiple smart subsystems with functions such as lease management, property management, leasing finance, group and community and smart equipment included. Currently, the number of apartments operated by the platform has reached nearly 10,000. Apart from being applied to “Vanjian Apartment” (梵間公寓) and “OVU Apartment”, long-term rental apartment brands of the Group, the platform has also achieved breakthroughs and market recognition in respect of external user projects in Hefei and Wuhan, helping partner enterprises to achieve smart digital apartment management and operation.

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 RMB30.4 million.

OVU Maker Star is an innovative start-up service platform under the Group. It is a cross-regional and comprehensive super incubator with 35 sites in 18 cities across the country. The qualifications received include 3 incubators, 7 co-working spaces and 1 advertising incubating platform of national standard; 6 incubators and 9 co-working spaces of provincial standard and 2 incubators and 3 co-working spaces of municipal standard, together with 40 other types of qualifications. OVU Maker Star adheres to the principle of “bridging all resources for entrepreneurs”, and strives to create a super-innovative value-sharing ecosystem. It builds an area of innovative business with a total area of 403,000 sq.m., and serves more than 1,000 innovative business teams with more than 80,000 innovators, and has become the largest shared office brand in Central China. OVU Maker Star will further strengthen the site network in major cities across the country, and it is estimated that more than 100,000 sq.m. of new entrepreneurial space will be created. We have established three international sites in Silicon Valley of the United States, Calgary of Canada and Helsinki of Finland. In the future, OVU Maker Star will further cooperate with more leading cities and innovative service organizations to create a shared office community and establish an internationalized innovative service network.

Industrial Investment

The Group coordinated with companies including Xiamen Jinyuan Investment Group Co., Ltd.* (廈門金圓投資集團有限公司), Zhongjinqirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership)* (中金啟融(廈門)股權投資基金合夥企業(有限合夥)) to operate CLP Zhongjin (Xiamen) Intelligent Industry Equity Investment Fund* (中電中金(廈門)智能產業股權投資基金) (“CEC & CICC”), which is expected to have a profound impact on the new development strategies of our industrial parks. CEC & CICC is a unique investment platform established by CEC and Zhongjin Capital Operation Co., Ltd.* (中金資本運營有限公司) for their target industry, with an expected 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.

Easylinkin Technology is the leading low-power integrated service provider of wide-area Internet of Things, forming the most influential low-power wide-area Internet industry chain in China. The company now focuses on vertical industries including intelligent and safe community, intelligent community, intelligent building and meter reading, and are replicating widely. In 2017, Easylinkin Technology obtained the A-round financing led by IDG where its post-investment valuation was approximately RMB0.48 billion, finished the B-round financing led by China Growth Capital in 2018 where its post-investment valuation was approximately RMB0.83 billion. As of the date of publication of this announcement, Easylinkin Technology has completed the C-round financing which investment was led by Beijing Megvii Co., Ltd.* (北京旷视科技有限公司). The post-investment valuation of Beijing Megvii Co., Ltd. was approximately RMB1.23 billion. During the Reporting Period, operating income of Easylinkin Technology amounted to over RMB86.0 million, representing an increase of 47.3% as compared to the same period of last year, demonstrating a rapid business growth. At the same time, according to this valuation, the management recognized the increase in fair value of investment on Easylinkin Technology amounted to approximately RMB82.2 million during the Reporting Period.

Huada Beidou is mainly engaged in the design, integration, production, testing, sales and related businesses of chips, algorithm, module and end products. Huada Beidou conducted research and developed the first SOC chip in the world with multiple systems, multiple frequencies and high precision that supports the Beidou No. 3 signal system, and proposed the first "Beidou Open Platform" concept among industries of the world. In the first half of 2019, the operating income of Huada Beidou exceeded RMB76.3 million. The performance index of its mass-produced 40nm processed RF baseband integrated navigation chip has met an advanced level internationally and a leading standard domestically, receiving wide market attention. During the Reporting Period, Huada Beidou has initiated A-round financing, and has entered into a letter of investment intent with various investment organizations.

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.

FUTURE PROSPECT

Macroeconomic Environment

Looking forward to the second half of the year, although the macroeconomy will be affected by the international economic situation in the short term, favorable policy factors for economic development, such as supply-side structural reform, innovation-driven and new-old energy conversion will still exist. Under global economic downturn, China's macroeconomy will very likely be able to continue its steady and progressive development trend.

The Group's Strategies

Being a member of China Electronics Corporation, CEOVU continues to make positive contributions to the national innovation drive strategy and domestic strategy. In this important stage of new growth term, we will pay more attention to innovation-driven development and the transformation of growth momentum, and build a new system and new structure for transformation and upgrading through various breakthroughs.

In-depth implementation of “one platform and two methodologies” to make industrial kinetic energy stronger

The construction of an industrial resource sharing platform is an important starting point for CEOVU to adapt to the national strategy and electronic strategy of China. In the second half of 2019, basing on the current resource agglomeration, relying on China's new network information technology, we will further promote the Industrial Resource Sharing Platform 2.0 era, taking data service as our core so as to foster industrial clusters and develop industrial ecology. The Group will also realize the provision of integrated solutions through cross-regional network connection of digitized parks.

Build a new mechanism for high-quality business collaboration

In the past three years, we have promoted business synergy and achieved certain results. In the second half of 2019, the Group will utilize the synergy effect in a better way by constructing a scientific and effective integrated operation management system and an incentive mechanism, and transform the synergistic awareness into synergy performance. The deepened reform of the comprehensive operation system is a new means of organization that clarifies the responsibility of the main body, cultivate young and sophisticated talents for its integrated operation business with great efforts, strengthen the protection mechanism of the organization, and facilitate further expansion of its integrated operation business.

Further stimulate the vitality of the market

The real power of any kind of reform comes from the front line of market. In the second half of 2019, we will further deepen the transformation and change, and play the role of strategic management, business empowerment, resource sharing, arts empowerment and organization demonstration better, so that the operating organization system of CEOVU in more than various cities can immediately sense the market information, and creative response can be made rapidly.

Focus on realizing industrial fund regional linkage

In the second half of 2019, when we are looking for excellent industrial investment projects, we will pay more attention to the organic interaction between investment projects and the existing deployment of CEOVU, linking points and points, linking the region to the outside, seeking capital and space service interaction as well as extending the local investment income to the regional resources, which achieve the value fission and superposition.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was RMB1,143.0 million, representing an increase of 52.1% as compared to the same period of 2018.

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

	Years ended 30 June			
	2019		2018	
	Revenue (RMB'000)	% of total	Revenue (RMB'000)	% of total
Industrial park space services	514,059	45.0%	309,774	41.2%
Sales of Industrial Park	419,556	36.7%	236,378	31.5%
Industrial Park Leasing	87,422	7.6%	68,793	9.2%
Sales of Ancillary Residential Properties	7,081	0.7%	4,603	0.5%
Industrial park operation services	628,988	55.0%	441,525	58.8%
Design and Construction				
Services	266,593	23.3%	174,289	23.2%
Property Management Service	230,455	20.2%	139,586	18.6%
Energy Services	45,569	4.0%	21,263	2.8%
Group Catering and Hotel				
Services in the Park	29,008	2.5%	24,656	3.3%
Financial Services in the Park	12,929	1.1%	12,544	1.7%
Others	44,434	3.9%	69,187	9.2%
Total	<u>1,143,047</u>	<u>100.0%</u>	<u>751,299</u>	<u>100.0%</u>

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 RMB762.8 million, representing an increase of RMB285.3 million or 59.7% over the same period in 2018. As of 30 June 2018 and 30 June 2019, the cost of sales of the Group represented 63.6% and 66.7%, respectively, of the income of the Group.

Gross Profit and Gross Profit Margin

During the Reporting Period, the overall gross profit of the Group was RMB380.2 million, representing an increase of RMB106.5 million as compared with the same period in 2018. Overall gross profit margin was 33.3%, representing a decrease of 3.2 percentage points from 36.4% in the same period of 2018, mainly due to the lower gross profit of EPC businesses which led to a decrease in the overall gross profit margin.

Other Income and Gains/(Losses) – net

During the Reporting Period, other income and gains/(losses), net of the Group was RMB104.7 million, increased RMB49.7 million as compared to the net gain of RMB55.0 million for the same period in 2018, primarily due to the fair value gains amounting to RMB82.2 million from investment in Easylinkin Technology through the financial assets at fair value through profit or loss by the Group.

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 RMB54.3 million, representing an increase of RMB17.6 million as compared with the same period in 2018, primarily due to an increase in advertising and promotional expenses as there is an increase in pre-sale projects of the Group 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 RMB184.1 million, representing an increase of RMB64.9 million as compared with the same period in 2018 mainly due to additional subsidiaries of the Group during the current period as compared with the same period in 2018.

Fair Value Changes on Investment Properties

During the Reporting Period, fair value gains on the Group's investment properties was RMB40.7 million, representing an increase of RMB12.2 million as compared with the same period in 2018, primarily due to an increase in the area of investment properties newly added by the Group during the current period as compared with the same period in last year.

Income Tax Expense

During the Reporting Period, income tax expense of the Group was RMB101.5 million, representing an increase of RMB31.1 million as compared with the same period in 2018, which was primarily due to (i) an increase in PRC land appreciation tax expense of RMB14.9 million resulting from the Group's higher income from sales of industrial park in the first half of the year; (ii) an increase in PRC corporate income tax expense of RMB23.8 million; (iii) a decrease in deferred tax expense of RMB3.3 million; and (iv) a decrease 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 RMB141.2 million, representing an increase of RMB38.0 million as compared with the same period in 2018.

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, repayment of debts and allocation of working capital and general recurrent 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 2019, the Group's net cash outflow from operating activities was RMB72.4 million, which was mainly because of an increase in construction expenses along with the increase in the area of the industrial park under construction during the Reporting Period as compared to the corresponding period in 2018.

In the first half of 2019, the Group's net cash inflow from financing activities was RMB1.3 million. Cash inflow from financing activities mainly came from bank borrowings and other borrowings.

Indebtedness

The Group's total outstanding indebtedness increased by RMB458.4 million from RMB5,101.0 million as at 31 December 2018 to RMB5,559.4 million as at 30 June 2019.

Capital Expenditure and Capital Commitment

During the Reporting Period, capital expenditure of the Group was RMB69.6 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 2019, the Group's outstanding commitments related to property development expenditure and investment was RMB1,570.0 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 2019, the Group had 6,035 full-time employees. The employment cost of the Group was approximately RMB249.8 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. The remuneration package of the employees includes basic wages, 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. 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 16.0% 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 12,024,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$4,999,360. On 24 January 2019, the Company cancelled 43,860,000 shares, being shares repurchased during the period between 5 December 2018 and 11 January 2019.

Particulars of the repurchases are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2019	<u>12,024,000</u>	0.455	0.4	<u>4,999,360</u>

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 2019.

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 independent auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2019.

DIVIDEND

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

PUBLICATION OF INTERIM RESULTS AND 2019 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 2019 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
21 August 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.

* *For identification purpose only*