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)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Group is headquartered in Wuhan, Hubei Province of China. Under the influence of the novel coronavirus (COVID-19) epidemic and travel restrictions in force in parts of China, and, especially in Wuhan, certain audit procedures required to be conducted by the Auditors cannot be completed by the date of this announcement. The unaudited results for the year ended 31 December 2019 contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules. The unaudited annual results in this announcement have been reviewed by the Audit Committee.

SUMMARY OF 2019 RESULTS

- For the year ended 31 December 2019, the Group secured new annual contracts involving an amount of RMB7,601.8 million, among which, the amount contracted for industrial park operation services was RMB5,597.5 million, representing 73.6% of the total contracted amount; the amount contracted for sales of industrial parks was RMB2,004.3 million, representing 26.4% of the total contracted amount. The integrated operation achievement of the opening year of the new growth period was significant.
- For the year ended 31 December 2019, the total revenue of the Group was RMB3,376.9 million, increased by12.5% as compared to 2018, of which, the revenue from industrial park operation services and industrial park leasing to the total operating revenue increased to 51% as compared to 44.6% in 2018. The adjustment of income structure well reflected the strategic goals of the new growth period of the Group.
- In 2019, the Group's net cash inflow from operating activities was RMB389.7 million, as compared with the net cash outflow from operating activities of RMB354.1 million in the same period of 2018, demonstrating a significant improvement in our operating net cash flow.
- As at 31 December 2019, the Group has approximately 5,965,000 sq.m. of high quality industrial park land bank in various cities, of which the land bank is primarily high quality industrial park land located in cities such as Chengdu, Changsha, Shanghai, Ningbo and Luoyang.
- As at 31 December 2019, the total bank borrowings and bonds payables of the Group was RMB4,729.7 million, of which corporate bonds payable was approximately RMB1,280.2 million, accounting for 27.1% of the total bank borrowings and bonds payables. Benefiting from factors such as financing structure adjustment, the average borrowing costs decreased to 6.0% in 2019 as compared to 6.3% in 2018.
- The Board proposes to declare a final dividend of HK$2.50 cents (equivalent to approximately RMB2.28 cents) per Share, amounting to approximately HK$189.4 million in aggregate (equivalent to approximately RMB172.5 million) for the year ended 31 December 2019.

The board (the "**Board**") of directors (the "**Directors**") of China Electronics Optics Valley Union Holding Company Limited (the "**Company**") is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**" or "**CEOVU**") for the year ended 31 December 2019 ("**Reporting Period**"), together with the comparative figures of the audited consolidated financial results for 2018 as follows.

CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**3,376,865**	3,001,137
Cost of sales	*5*	**(2,301,582)**	(1,965,066)
Gross profit		**1,075,283**	1,036,071
Other income and gains – net	*4*	**275,181**	223,890
Selling and distribution expenses	*5*	**(116,908)**	(86,107)
Administrative expenses	*5*	**(335,194)**	(295,294)
Net impairment losses on financial and contract assets	*5*	**(23,903)**	(3,480)
Fair value gains on investment properties	*11*	**155,677**	57,411
Operating profit		**1,030,136**	932,491
Finance income	*6*	**101,538**	67,680
Finance costs	*6*	**(262,710)**	(177,591)
Net finance costs		**(161,172)**	(109,911)
Share of profits of associates	*7*	**45,297**	64,336
Share of profits of joint ventures		**42,474**	16,777
Profit before income tax		**956,735**	903,693
Income tax expense	*8*	**(362,552)**	(312,777)
Profit for the year		**594,183**	590,916
Profit for the year attributable to:			
– Owners of the Company		**569,272**	541,486
– Non-controlling interests		**24,911**	49,430
Profit for the year		**594,183**	590,916
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (RMB cents)	*9*	**7.44**	7.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit for the year	**594,183**	590,916
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
– Revaluation of property, plant and equipment upon transfer to investment properties, net of tax	**–**	14,878
Items that may be reclassified to profit or loss:		
– Currency translation differences	**5,648**	(177,136)
Other comprehensive income for the year, net of tax	**5,648**	(162,258)
Total comprehensive income for the year	**599,831**	428,658
Total comprehensive income for the year is attributable to:		
– Owners of the Company	**574,920**	379,228
– Non-controlling interests	**24,911**	49,430
Total comprehensive income for the year	**599,831**	428,658

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**440,962**	454,026
Right-of-use assets	*10*	**73,850**	–
Investment properties	*11*	**3,651,261**	2,566,060
Land use rights		**–**	3,394
Intangible assets		**35,834**	6,475
Investments in associates	*7*	**1,554,483**	1,517,876
Investments in joint ventures		**182,591**	190,117
Financial assets at fair value through profit or loss		**307,926**	235,127
Trade and other receivables	*15*	**82,367**	231,581
Deferred income tax assets		**59,396**	32,714
		6,388,670	5,237,370
Current assets			
Properties under development	*12*	**2,508,986**	2,356,821
Completed properties held for sale	*13*	**3,066,529**	2,399,282
Inventories and contracting work-in-progress	*14*	**70,020**	72,832
Trade and other receivables	*15*	**1,857,070**	1,921,211
Current income tax assets		**–**	15,406
Financial assets at fair value through profit or loss		**75,000**	30,500
Contract assets		**1,605,396**	785,452
Deposits in banks with original maturities over three months		**41,226**	15,637
Restricted cash		**349,146**	418,883
Cash and cash equivalents		**1,653,463**	1,927,200
		11,226,836	9,943,224
Current liabilities			
Contract liabilities		**337,243**	366,293
Trade and other payables	*16*	**3,462,790**	2,368,346
Corporate bonds	*17*	**1,280,239**	1,069,185
Bank and other borrowings	*18*	**1,911,461**	1,878,085
Lease liabilities	*10*	**69,692**	–
Current income tax liabilities		**364,928**	352,261
Current portion of deferred income		**11,944**	4,706
		7,438,297	6,038,876
Net current assets		**3,788,539**	3,904,348
Total assets less current liabilities		**10,177,209**	9,141,718

	Note	At 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Non-current liabilities			
Corporate bonds	*17*	**–**	795,739
Bank and other borrowings	*18*	**1,538,039**	1,048,543
Lease liabilities	*10*	**496,976**	–
Deferred income tax liabilities		**442,412**	327,645
Non-current portion of deferred income		**107,491**	42,355
		2,584,918	2,214,282
Net assets		**7,592,291**	6,927,436
Equity			
Share capital	*19*	**623,048**	626,839
Treasury shares	*19*	**(121,056)**	(132,417)
Reserves		**2,897,733**	3,051,428
Retained earnings		**3,208,519**	2,556,537
Total equity attributable to owners of the Company		**6,608,244**	6,102,387
Non-controlling interests		**984,047**	825,049
Total equity		**7,592,291**	6,927,436
Total equity and non-current liabilities		**10,177,209**	9,141,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Electronics Optics Valley Union Holding Company Limited (the "**Company**", formerly known as "**Optics Valley Union Holding Company Limited**") and its subsidiaries (together, the "**Group**") are principally engaged in development of theme industrial parks and related businesses, provision of business operation services to park customers and leasing business of investment properties. The Group has operations mainly in 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 has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") and requirements of the Hong Kong Companies Ordinance Cap. 622.

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16, Leases
- Annual improvements to 2015 – 2017 cycle
- Plan amendment, curtailment or settlement – Amendments to IFRS 19
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Prepayment features with negative compensation – Amendments to IAS 9
- IFRIC 23, Uncertainty over income tax treatments

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 16. The impact of the adoption of IFRS 16 is disclosed in Note 2.2 below. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 New and amended standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 3 (amendments)	Definition of 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 associate or joint venture	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Change in accounting policy

As indicated in Note 2.1.3 above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition 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.

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%.

2.2.1 Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using 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 Interpretation 4 Determining whether an Arrangement contains a Lease.

2.2.2 Measurement of lease liabilities

The lease liability recognised at 1 January 2019 upon initial adoption are arrived as below.

	2019
	RMB'000
	(Unaudited)
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

2.2.3 Measurement of right-of-use assets

The associated right-of-use assets for property leases, which had been or were planned to be operatingly subleased 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 subleased out, were recognised as receivables and measured at the amount equal to the net investment calculated with the implicited 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:

	31 December 2019	**1 January 2019**
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Land use rights (reclassified from the financial statement line item "Land use rights")	**3,324**	3,394
Properties	**683,379**	565,168
	686,703	568,562

2.2.4 Adjustments recognised in the balance sheet on 1 January 2019

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 RMB465,253,000
- Receivables – increase by RMB75,498,000
- 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 RMB111,684,000.

2.2.5 Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

3 REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). The Group had identified three segments, namely rental and sales of industrial parks, industrial park operation services and industrial investment.

At 31 December 2019, the Group has the following three segments:

- Rental and sales of industrial parks (formerly named as "**Industrial park space services**"): this segment develops and sells industrial parks and ancillary residential properties. It also includes leasing 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, design and construction 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 for the year ended 31 December 2019 according to IFRS 8.

(a) Segment results

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

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

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

For the year ended 31 December 2019

	Rental and sales of industrial parks *RMB'000* **(Unaudited)**	**Industrial park operation services** *RMB'000* **(Unaudited)**	**Industrial investment** *RMB'000* **(Unaudited)**	**Total** *RMB'000* **(Unaudited)**
Segment revenue	**1,895,371**	**2,216,807**	**–**	**4,112,178**
Inter-segment revenue	**(14,220)**	**(721,093)**	**–**	**(735,313)**
Revenue from external customers	**1,881,151**	**1,495,714**	**–**	**3,376,865**
Segment results	**823,420**	**89,908**	**75,292**	**988,620**
Depreciation and amortisation	**(50,537)**	**(63,366)**	**(258)**	**(114,161)**

For the year ended 31 December 2018

	Rental and sales of industrial parks *RMB'000* (Audited)	Industrial park operation services *RMB'000* (Audited)	Industrial investment *RMB'000* (Audited)	Total *RMB'000* (Audited)
Segment revenue	1,912,725	1,439,306	–	3,352,031
Inter-segment revenue	(66,450)	(284,444)	–	(350,894)
Revenue from external customers	1,846,275	1,154,862	–	3,001,137
Segment results	636,567	185,341	121,907	943,815
Depreciation and amortisation	(21,365)	(47,237)	(133)	(68,735)

(b) Reconciliation of segment results to profit for the year

	2019 ***RMB'000*** **(Unaudited)**	2018 *RMB'000* (Audited)
Segment results	**988,620**	943,815
Fair value gains on investment properties	**155,677**	57,411
Share of profits of associates	**45,297**	64,336
Share of profits of joint ventures	**42,474**	16,777
Finance income	**101,538**	67,680
Finance costs	**(262,710)**	(177,591)
Depreciation and amortisation	**(114,161)**	(68,735)
Income tax expense	**(362,552)**	(312,777)
Profit for the year	**594,183**	590,916

(c) Information regarding the Group's revenue by nature:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Rental and sales of industrial parks		
Sales of industrial park	**1,656,060**	1,662,153
Sales of ancillary residential properties	**19,020**	17,808
Park properties leasing	**206,071**	166,314
	1,881,151	1,846,275
Industrial park operation services		
Design and construction services	**681,066**	472,934
Property management services	**542,510**	448,360
Energy services	**96,231**	96,123
Group catering and hotel services	**63,953**	51,871
Industrial financial services	**42,299**	26,304
Others	**69,655**	59,270
	1,495,714	1,154,862
Total	**3,376,865**	3,001,137

The Group's entire revenue is attributable to the market in Mainland China and over 99% of the Group's non-current assets other than financial instruments and deferred income tax assets are located in Mainland China. No geographical information is therefore presented.

The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

4 OTHER INCOME AND GAINS – NET

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Gain on disposal of investment properties	**112,493**	46,745
Fair value gains on financial assets at fair value through profit of losses	**82,157**	–
Government subsidies	**53,207**	26,811
Gain from deemed partial disposal	**28,222**	29,950
Gain/(loss) on disposal a subsidiary	**25,693**	(12,658)
Loss on disposal of an associate	**(27,597)**	–
Net gain on disposal of property, plant and equipment	**181**	458
Compensation income	**–**	3,937
Net gain on transfer from investment in associates to financial assets at fair value through profit or loss	**–**	129,063
Others	**825**	(416)
	275,181	223,890

5 EXPENSES BY NATURE

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Cost of properties sold	**957,482**	1,084,080
Cost of construction services	**533,947**	334,336
Employee benefit expenses	**529,846**	487,909
Outsourcing costs for industrial park operation	**494,763**	223,623
Depreciation	**112,208**	67,520
Amortisation	**1,953**	1,215
Net impairment losses on financial and contract assets	**23,903**	3,480
Other professional service fees	**21,452**	19,707
Advertising costs	**20,378**	16,632
Auditors' remuneration		
– Audit services	**2,000**	2,000
– Non-audit services	**960**	960
Operating lease payments	**–**	36,350
Other expenses	**78,695**	72,135
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial and contract assets	**2,777,587**	2,349,947

6 FINANCE INCOME AND COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest expenses of bank and other borrowings	**(359,481)**	(291,967)
Interest expenses on leasing liabilities	**(32,850)**	–
Capitalised interest expenses	**129,122**	114,298
Net foreign exchange gains	**499**	78
Finance costs	**(262,710)**	(177,591)
Interest income from loans provided to related parties	**40,078**	17,602
Interest income from deposits	**54,108**	43,740
Interest income from sublease	**6,036**	–
Income from wealth management products	**1,316**	6,338
Finance income	**101,538**	67,680
Net finance costs	**(161,172)**	(109,911)

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.66% to 5.94% (2018:4.66% to 5.94%) per annum, and other borrowing costs were capitalised using an average interest rate of 6.31% (2018: 6.62%) per annum.

7 INVESTMENTS IN ASSOCIATES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**1,517,876**	1,267,909
Additions	**100,145**	289,744
Share of profits	**45,297**	64,336
Gain from deemed partial disposal *(Note 4)*	**28,222**	29,950
Dividend received	**(20,000)**	(40,000)
Disposals	**(117,057)**	–
Transfer to financial assets at fair value through profit or loss	**–**	(94,063)
At 31 December	**1,554,483**	1,517,876

List of principal associates as at 31 December 2019 is as follows:

Name	Place of establishment and type of legal entity	Principal place of operation and activities	Registered and paid-in capital	Interest held
Hainan Resort Software Community Group Co., Ltd* (海南生態軟件園集團有限公司) ("**Hainan Software Community**")	PRC, limited liability company	PRC, development and management of electronic information technology industrial parks	RMB1,600,000,000	20.00%
CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership* (中電中金（廈門）智能產業股權投資基金合夥企業)	PRC, limited liability company	PRC, Limited Partnership	RMB843,600,000	24.03%

In the opinion of the directors, Hainan Software Community is a material associate to the Group. Hainan Software Community is a private company and there is no quoted market price available for its shares. The financial information of Hainan Software Community, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements, which is accounted for using the equity method, is shown as below:

	As at 31 December 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Identifiable current assets and liabilities assumed		
Assets	**10,713,858**	10,706,938
Liabilities	**(3,036,363)**	(2,707,175)
Identifiable net current assets	**7,677,495**	7,999,763
Identifiable non-current assets and liabilities assumed		
Assets	**3,084,817**	1,790,252
Liabilities	**(6,169,869)**	(5,303,634)
Identifiable net non-current assets	**(3,085,052)**	(3,513,382)
Identifiable net assets	**4,592,443**	4,486,381
Identifiable net assets attributable to owners of the associate	**4,556,197**	4,447,571
Interest held by the Group	**20%**	20%
Carrying amount	**911,239**	889,514

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue	566,553	702,906
Profit after income tax	221,585	262,122
Total comprehensive profit	221,585	262,122

8 INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current tax:		
PRC Corporate Income Tax ("**CIT**")	136,489	133,853
Land Appreciation Tax ("**LAT**")	164,683	110,010
Total current tax	301,172	243,863
Deferred tax:		
Origination and reversal of temporary differences	52,500	68,914
Withholding tax	8,880	–
Income tax expense	362,552	312,777

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Profit before tax	956,735	903,693
Tax calculated at domestic statutory tax rate of 25% *(Note (i) to (iii))*	239,184	225,923
Tax effects of:		
– Share of results of associates and joint ventures	(21,943)	(20,278)
– Expenses not deductible for tax purposes	3,839	9,493
– Adopting prescribed tax calculation method by PRC subsidiaries *(Note (iii))*	1,868	1,678
– Tax losses for which no deferred income tax asset was recognised	7,212	13,454
LAT in relation to properties sold *(Note (iv))*	164,683	110,010
Tax effects of LAT	(41,171)	(27,503)
Withholding income tax on profit to be distributed in future	8,880	–
Income tax expense	362,552	312,777

(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.

(ii) No provision for Hong Kong Profits Tax was made as the Group had no taxable profit in Hong Kong in 2019.

(iii) The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified. According to the approvals from the local tax authorities, the assessable profits of certain subsidiaries of the Group were calculated based on 8% of their respective gross revenues for the year.

(iv) 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 right, borrowing costs and all qualified property development expenditures).

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares repurchased by the Group *(Note 19)*.

	2019 (Unaudited)	2018 (Audited)
Profit attributable to owners of the Company (RMB'000)	**569,272**	541,486
Weighted average number of ordinary shares in issue (thousands)	**7,646,905**	7,658,774
Basic earnings per share (RMB cents)	**7.44**	7.07

There were no potential dilutive ordinary shares in 2019 and 2018, diluted earnings per share therefore equals to basic earnings per share.

10 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 *RMB'000* **(Unaudited)**	1 January 2019 *RMB'000* (Unaudited)
Investment properties	**599,553**	465,253
Right-of-use assets		
– Properties	**70,526**	99,915
– Reclassification from land use rights	**3,324**	3,394
	673,403	568,562
Lease liabilities		
Current	**69,692**	46,840
Non-current	**496,976**	415,648
	566,668	462,488

The following table presents the changes of right-of-use assets for the year ended 31 December 2019:

	2019 *RMB'000* (Unaudited)
Balance at 31 December 2018	**–**
Adjustment on adoption of IFRS 16	**103,309**
Opening net book amount, as restated	**103,309**
Additions	**–**
Depreciation/amortisation	**(29,459)**
Closing net book amount	**73,850**

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Depreciation charge of right-of-use assets		
Properties	**29,389**	–
Land use rights	**70**	–
	29,459	–
Interest expense (included in finance cost) *(Note 6)*	**(32,850)**	–
Interest income (included in finance income) *(Note 6)*	**6,036**	–

The total cash outflow for leases in 2019 was RMB72,246,000.

(iii) 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.

11 INVESTMENT PROPERTIES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At fair value		
Opening balance at 1 January	**2,566,060**	2,317,890
Impact of adoption of IFRS 16 *(Note 2.2.4)*	**465,253**	–
Restated opening balance at 1 January	**3,031,313**	2,317,890
Transfer from property, plant and equipment		
– Net book value	**–**	3,283
– Revaluation surplus	**–**	19,838
Transfer from properties under development and completed properties held for sale	**232,989**	128,444
Other additions	**275,957**	95,869
Fair value changes	**155,677**	57,411
Other disposals	**(44,675)**	(56,675)
Closing balance at 31 December	**3,651,261**	2,566,060

Amounts recognised in profit and loss for investment properties

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Rental income from self-owned properties	**135,215**	129,532
Rental income from subleasing	**70,856**	36,782
Direct operating expenses from property that generated rental income	**32,227**	33,272

As at 31 December 2019, the Group had no contractual obligations for future repairs and maintenance (2018: nil).

No bank loan granted to the Group was secured by investment properties (2018: RMB299,292,000) as at 31 December 2019 *(Note 18)*.

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 years to 17 years.

As at 31 December 2019, certain investment properties of the Group with carrying value of RMB500,058,000 (2018: RMB344,950,000), were without building ownership certificate. The Group was in progress of obtaining the relevant building ownership certificate.

12 PROPERTIES UNDER DEVELOPMENT

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

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Expected to be completed for sale within one year		
Properties under development for sale	**1,126,840**	1,217,789
Expected to be completed for sale after more than one year		
Properties under development for sale	**1,382,146**	1,139,032
	2,508,986	2,356,821

Properties under development with an aggregate carrying value of RMB323,643,000 (2018: RMB24,084,000) as at 31 December 2019 were pledged for certain bank loans granted to the Group *(Note 18)*.

13 COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale with an aggregate carrying value of RMB1,668,741,000 (2018: RMB1,109,258,000) as at 31 December 2019 were pledged for certain bank loans granted to the Group *(Note 18)*.

14 INVENTORIES

	At 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Raw materials	**1,227**	1,090
Work in progress	**8,579**	19,347
Finished goods	**60,214**	52,395
	70,020	72,832

15 TRADE AND OTHER RECEIVABLES

	At 31 December 2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited)
Current portion		
Trade receivables *(Note a)*	**682,246**	710,986
Notes receivables	**18,761**	18,124
Deposits receivable	**27,028**	26,188
Consideration receivable on disposal of an associate	**44,000**	–
Consideration receivable on disposal of a subsidiary	**–**	50,000
Loans to related parties	**35,939**	236,876
Other amounts due from related parties	**4,337**	56,606
Loans to third parties	**694,342**	487,773
Prepayments for construction cost and raw materials	**138,700**	170,908
Prepaid turnover tax and other taxes	**50,086**	59,233
Others	**198,726**	143,866
Less: allowance provisions	**(37,095)**	(39,349)
	1,857,070	1,921,211
Non-current portion		
Loans to a third party	**80**	152,021
Loans to related parties	**4,549**	–
Receivables from finance leases	**77,738**	–
Prepayments for acquisition of certain properties	**–**	67,895
Trade receivables *(Note a)*	**–**	11,065
Prepayments for acquisition of certain equity interests	**–**	600
	82,367	231,581
Total	**1,939,437**	2,152,792

Note:

(a) Trade receivable are due within 1 month to 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 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**270,920**	311,281
1 to 3 months	**106,729**	66,249
3 to 6 months	**26,214**	116,899
Over 6 months	**278,383**	227,622
	682,246	722,051

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

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. The loss allowance decreased by a further RMB2,116,000 to RMB21,856,000 for trade receivables and decreased by RMB138,000 to RMB15,239,000 for other receivables during the current reporting period.

16 TRADE AND OTHER PAYABLES

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade creditors and bills payable	**2,316,401**	1,385,648
Construction guaranteed deposits payable	**189,549**	82,752
Accrued payroll	**59,529**	61,188
Interests payable	**33,174**	41,758
Loans due to a third party	**269,445**	269,445
Loans due to a related party	**40,000**	40,000
Other amounts due to related parties	**95,233**	63,312
Other payables and accruals	**459,459**	424,243
Total	**3,462,790**	2,368,346

As at 31 December 2019, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**1,450,333**	979,170
1 to 12 months	**696,094**	181,231
Over 12 months	**169,974**	225,247
	2,316,401	1,385,648

17 CORPORATE BONDS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
As at 1 January	**1,864,924**	1,399,148
Net proceeds from bonds issued	**450,000**	440,000
Interest expenses	**184,496**	120,916
Principal paid during the year	**(1,100,000)**	–
Coupon interest paid	**(119,181)**	(95,140)
As at 31 December	**1,280,239**	1,864,924
Representing:		
Current portion	**1,280,239**	1,069,185
Non-current portion	**–**	795,739
	1,280,239	1,864,924

In August 2017, the Group issued medium-term notes with maturity of 3 years with face value of RMB800,000,000 bearing annual interest rate of 6.38%. The actual proceeds received by the Group was approximately RMB792,445,000. This note is denominated in RMB and issued at par. Interest was payable yearly while principal was repaid when the notes fell due. The annual effective interest rates of this note is 6.74%. As at 31 December 2019, interest payable for this note amounted to approximately RMB19,018,000 (2018: RMB19,018,000).

In May 2019, the Group issued short-term notes with maturity of 270 days with face value of RMB500,000,000 bearing annual interest rate of 6.0%. The actual proceeds received by the Group was approximately RMB500,000,000. This note is denominated in RMB and issued at par. Interest was payable and principal was repaid when the notes fell due. The annual effective interest rates of this note is 5.83%. As at 31 December 2019, interest payable for this note amounted to approximately RMB17,500,000.

The fair value of corporate bond approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.83% to 6.74% (2018: 6.74% to 9.48%) and are within level 2 of the fair value hierarchy.

18 BANK AND OTHER BORROWINGS

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Secured		
– Bank borrowings	**–**	350,000
– Current portion of non-current bank borrowings	**707,400**	536,760
	707,400	886,760
Unsecured		
– Bank borrowings	**966,500**	929,500
– Current portion of non-current bank borrowings	**237,561**	61,825
	1,204,061	991,325
	1,911,461	1,878,085

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current		
Secured		
– Bank borrowings	**2,245,439**	1,184,760
Less: Current portion of non-current bank borrowings	**(707,400)**	(536,760)
	1,538,039	648,000
Unsecured		
– Bank borrowings	**237,561**	462,368
Less: Current portion of non-current bank borrowings	**(237,561)**	(61,825)
	–	400,543
	1,538,039	1,048,543

The bank and other borrowings bear interest ranging from 2.15% to 6.90% per annum for year ended 31 December 2019 (2018: from 2.15% to 6.90%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year or on demand	**1,911,461**	1,878,085
After 1 year but within 2 years	**922,524**	631,216
After 2 years but within 5 years	**453,015**	409,598
After 5 years	**162,500**	7,729
	3,449,500	2,926,628

The bank loans were secured by the following assets with book values of:

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Completed properties held for sale *(Note 13)*	**1,668,741**	1,109,258
Properties under development *(Note 12)*	**323,643**	24,084
Investment properties *(Note 11)*	**–**	299,292
Restricted cash	**153,225**	32,371
	2,145,609	1,465,005

The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.27% (2018: 5.36%) and are within level 2 of the fair value hierarchy.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2019, none of the covenants relating to drawn down facilities had been breached (2018: nil).

19 SHARE CAPITAL AND TREASURY SHARES

The authorised capital of the Company was 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 31 December 2019			At 31 December 2018		
	No. of Shares		**Treasury shares**	No. of Shares		Treasury shares
	('000)	***RMB'000***	***RMB'000***	*('000)*	*RMB'000*	*RMB'000*
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Audited)	(Audited)	(Audited)
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 purpose *(a)*	**–**	**–**	**(4,400)**	–	–	(54,828)
Shares cancelled *(a)*	**(43,860)**	**(3,791)**	**15,761**	(95,112)	(7,877)	44,880
At the end of the year	**7,574,352**	**623,048**	**(121,056)**	7,618,212	626,839	(132,417)

(a) During the year ended 31 December 2019, the Company repurchased a total 12,024,000 shares at a total consideration of HK$4,999,360 (equivalent to RMB4,400,000) for cancellation purpose.

Movement of the Company's treasury shares are analysed as follows:

	Shares purchased/repurchased for the purpose of		
	Share award	**Cancellation**	**Total**
	('000)	*('000)*	*('000)*
Year ended 31 December 2018			
Opening number of shares	152,998	13,244	166,242
Repurchased	–	113,704	113,704
Cancelled	–	(95,112)	(95,112)
Closing number of shares	152,998	31,836	184,834
Year ended 31 December 2019			
Opening number of shares	**152,998**	**31,836**	**184,834**
Repurchased	**–**	**12,024**	**12,024**
Cancelled	**–**	**(43,860)**	**(43,860)**
Closing number of shares	**152,998**	**–**	**152,998**

20 DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Ordinary shares		
Final dividend for the year ended 31 December 2018 of HK$2.50 cents per fully paid share (2017: HK$2.00 cents)	**166,640**	129,370
Dividends not recognized at the end of the reporting date		
In addition to the above dividends, since year end the directors have conditionally recommended the payment of a final dividend of HK$2.50 cents per fully paid share (2018: HK$2.50 cents). The aggregate amount of the proposed dividend expected to be paid in August 2020 out of retained earnings at 31 December 2019, but not recognized as a liability at year end, is	**172,474**	161,275

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The year of 2019 was the year for the Group to stride towards a new growth period. In accordance with the requirements of China Electronics Corporation Limited* (中國電子信息產業集團有限公司) ("**CEC**") and the deployment of the Board, and implementing the national innovation-driven and industrial upgrading strategies as the overall goal and constructing the Industrial Resource Sharing Platform as the strategic goal, the Group comprehensively implemented the System Planning Methodology and the Comprehensive Operation Methodology for enhancing organizational evolution, strengthened the functions of the headquarters, and increased authorization and empowerment of operating teams. Meanwhile, to cope with the impact caused by the uncertainty of economic development, and to seize the opportunities amid the uncertain development, in recent years, the Group has been committed to utilizing the digital park system as an entry point to promote the layout of the industrial park development business in a steady manner, and achieve constant expansion of the integrated operation business with multiple models. Through the collective efforts contributed by various business teams, the Group has achieved the main business indicators in all aspects for two consecutive years, and improved the Group's capability to develop its business sustainably.

The Group vigorously promoted the business integration of rental and sales of industrial parks, operation and industrial investment, striving to achieve self-transcendence. Not only has the main operating performance growth reached the expected goal, but more importantly, the business structure and asset structure have been continuously optimized and the marginal utility of the operating results has also been increased. In particular, the proportion of total amount contracted in respect of and total operating income for the integrated operation business of the Group to the Group's annual total amount contracted and total operating income continued to increase. For the year ended 31 December 2019, the amount contracted for industrial park operation services of the Group was RMB5,597.5 million, representing 73.6% of the total contracted amount; The industrial park operation and leasing services accounted for 51% of the operating income. In 2019, along with the successive opening of Shenzhen CEC i-Valley and Chongqing Wisdom Innovation Park, the commencement of the Xianyang Qidian Science and Technology City Project, the launch of the Putian China Electronics Technological Innovation City Project, the Chengdu Sunshine Insurance Project, as well as the Group's winning of the bid for the integrated operation business of the Wuhan National Network Security Talents and Innovation Base indicated that the Group has steadily transformed into a leading industrial park integrated operation service provider in China.

Operating Results

In 2019, the Group achieved a revenue of RMB3,376.9 million, representing an increase of 12.5% as compared to 2018, a profit before tax of RMB956.7 million and a net profit for the year of RMB594.2 million. Profit attributable to owners of the Company was approximately RMB569.3 million, representing an increase of 5.1% as compared to that in the same period of 2018. Equity attributable to owners of the Company increased by 8.3% to RMB6,608.2 million. Net asset value per share reached RMB0.87, representing an increase of 8.8% as compared to that in the same period of 2018. The Group's cash flow from operating activities was substantially converted to a positive position in 2019, resulting in a net cash flow of RMB389.7 million.

Business Segment Analysis

As of 31 December 2019, the Group has established a business model based on industrial park space rental and sales services, with industrial investment as an important means and comprehensive operation of the park as the operating advantage. The Group has the following three segments: (i) rental and sales of industrial parks (including sale and leasing services of industrial park space); (ii) industrial park operation services (including design and construction services, property management services, energy services, digital park services, incubator and office sharing services, industrial park financial services, group catering and hotel services, digital apartment services, long-term apartment leasing as well as recreation and entertainment); (iii) industrial investment (industrial-related industry investments business in various theme parks). The income structure and composition of profit in 2019 reflected the strategic effectiveness of transformation and reform.

Revenue by Business Segments

	For the year ended 31 December			
	2019		2018	
	Revenue	**% of total**	Revenue	% of total
	(RMB'000)		*(RMB'000)*	
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Rental and sales of industrial parks	**1,881,151**	**55.7**	1,846,275	61.5
Sales of industrial park	**1,656,060**	**49.0**	1,662,153	55.4
Park properties leasing	**206,071**	**6.1**	166,314	5.5
Sales of ancillary residentials	**19,020**	**0.6**	17,808	0.6
Industrial park operation services	**1,495,714**	**44.3**	1,154,862	38.5
Design and construction services	**681,066**	**20.2**	472,934	15.8
Property management services	**542,510**	**16.1**	448,360	14.9
Energy services	**96,231**	**2.8**	96,123	3.2
Group catering and hotel services	**63,953**	**1.9**	51,871	1.7
Industrial park financial services	**42,299**	**1.3**	26,304	0.9
Others	**69,655**	**2.0**	59,270	2.0
Total	**3,376,865**	**100.0**	3,001,137	100.0

I. Rental and sales of industrial parks

In 2019, the revenue from the rental and sales of industrial parks of the Group was RMB1,881.2 million, representing an increase of 1.9% as compared to the revenue in 2018. Among which, the revenue from sales of industrial park was RMB1,656.1 million, which remained steady as compared to the same period of 2018. The booked sales was 275,000 sq.m. It is noteworthy that the revenue from the sales of industrial park to the total revenue decreased from 55.4% in 2018 to 49.0% in 2019, representing a decrease of 6.4%, reflecting that the Group has been gradually reducing its over-reliance on the business of sales of the industrial park. The revenue from industrial park leasing amounted to RMB206.1 million, representing a growth of 23.9% as compared to the same period of 2018, with a self-owned property lease area of 305,000 sq.m. and occupancy rate of over 80%. The leasing of high quality properties steadily contributed to the revenue of the Company.

1. Sales of Industrial Park Business

1.1 Sales of Self-owned Industrial Parks

In 2019, the revenue from sales of industrial park spaces of the Group was mainly generated from Hefei, Changsha, Qingdao and others, among which, the sales revenue after tax from Heifei project reached RMB476.6 million, accounting for 28.8% of the revenue from the sales of industrial park. The Group also introduced new customers such as Hangzhou Bank and Tongxing Environmental Protection. The Hefei Financial Harbour project not only achieved good operating results, but also set the benchmark for the integration of art and industry; 2019 was the first full sales year of the CEC Software Park Phase II project in Changsha. The project achieved sales revenue of RMB303.9 million, accounting for 18.4% of the revenue from sales of the industrial park, attracting a group of high-quality enterprises such as Hunan Tianrongxin Innovation Technology (湖南天融信創新科技) and Hunan Rongchuang Microelectronics to enter the park; the revenue from projects such as Qingdao Marine Information Harbour and the research and innovation center in Qingdao amounted to RMB251.1 million, accounting for 15.2% of the total revenue from sales of the industrial park. By the end of 2019, there were more than 1,000 enterprises in the Qingdao Park. In addition, the sales revenue of industrial park projects of various cities such as Chengdu Core Valley, Shenyang CEC Information Harbour and Xi'an CEC Information Harbour reached more than RMB100 million. In 2019, excluding the projects in Wuhan, the sales revenue from projects in other cities accounted for 92.8% of the total sales revenue of the industrial park, representing a significant increase as compared to 22.0% at the beginning of the Company's listing in 2014. This demonstrated that the layout of the Group's self-owned industrial park business in other major cities across the country has been widely recognized by the market and our clients, the multi-zone industrial layout is conducive to lowering the risk of system and ensuring the achievement of annual target of the revenue from sales of the industrial parks.

1.2 Development and Progress of the Industrial Parks

Due to the in-depth adjustment of industrial structure in China, timely adjustments were made to the strategies and construction process of different themed industrial parks in different cities, so as to facilitate the realization of the Group's new long-term strategic objectives step by step.

In 2019, the total area of construction commenced in industrial parks was 585,000 sq.m., increased by 61.2% as compared to that of 363,000 sq.m. in 2018. Completed construction area amounted to 355,000 sq.m., increased by 22.0% as compared to that of 291,000 sq.m. in 2018. As at the end of 2019, the total area under construction was approximately 929,000 sq.m.

1.3 Land Bank of the Industrial Parks

During the Reporting Period, the Group has approximately 5,965,000 sq.m. of high quality land bank in various cities, including Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Hefei, Shenyang, Luoyang, Xi'an, Wenzhou, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai, and Ningbo.

2. *Park properties leasing*

During the Reporting Period, the revenue from industrial park leasing was RMB206.1 million, with a growth of 23.9% as compared to the same period of 2018. The area of the self-owned high-quality properties reached 305,000 sq.m., with an occupancy rate of over 80%. In 2019, such as the industrial parks in Wuhan and Qingdao were invited to introduce a number of large and medium-sized enterprises such as Qingdao West Coast Medical Health Company and Zhongjian Fitness Group by way of leasing, and more than 100 small and medium-sized enterprises were introduced, which enriched the industrial ecology of the park. The leasing of these high-quality self-owned properties also provided a stable and sustainable cash flow to the Group, which have continuously promoted brand effectiveness.

II. Industrial Park Operation Services

At the current stage, the Group has formed 15 types of integrated operation businesses, 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, and financial services in parks, catering and hotels. The Group has been equipped with eight types of combinations of integrated operation services that take consultation and planning, informatized technology and digital park (apartment) solutions, integrated operation life cycle services, Engineering Procurement Construction ("**EPC**"), smart facility equipment, investment promotion, dual-innovation services and regional energy management as the entry points.

In 2019, the design, procurement and construction integrated general contracting project (EPC) undertaken by Xianyang Qidian Science and Technology City, which was undertaken by the design institute of the Group as the consortium leader, was successfully implemented. The comprehensive operation business of the national cyber security talents and innovation base, which take digital park serves as the entry point and, with a service period of 12 years and a total service amount of RMB1,465.6 million has successfully won the bid. The Putian China Electronics Technological Innovation City and the Chengdu Sunshine CEC i-Valley EPC+ Integrated Operation projects were signed and commenced, and based on the capacity of building intelligent cites and intelligent industrial system, we achieved very encouraging breakthrough in the operation mode innovation of industrial parks that specialize in empowerment industry upgrading and innovative ecology service. As of 31 December 2019, the amount contracted for industrial park operation services of the Group was RMB5,597.5 million.

During the Reporting Period, the Group provided integrated operation services, such as planning and consultation, EPC, design and construction, property management, regional energy, park finance and other services, for key projects of local government platform companies or large enterprises, and offered a variety of one-stop park operation services to enterprises stationed in our industrial parks. During the Reporting Period, the turnover of the industrial park operation services of the Group amounted to RMB1,495.7 million, representing an increase of RMB340.8 million or 29.5% as compared to the same period of 2018. Among which, design and construction services reached RMB681.1 million, property management services reached RMB542.5 million, and regional energy, park finance and other services reached RMB272.1 million. In terms of composition, the revenue from design and construction services and property management services accounted for 81.8% of the revenue from industrial park operation services, and is the major source of revenue of the industrial park operation services currently.

Design and construction services

Integrated Operation Service that Takes EPC as the Entry Point

EPC is a general contracting mode for engineering projects which enhances the synergistic efficiency of design, procurement and construction. As for the integrated operation under the EPC model, the customers of the services are mainly local government platform companies and large enterprises, and the service projects are the industrial park projects that such customers intend to invest in. The Group provides EPC integrated design and construction services, ranging from design, tender and procurement of construction, to the government, institutions and related enterprises through the process of optimizing and integrating the industrial chain of the Group's architectural design institutes, construction subsidiaries and etc. In the process of providing EPC services to customers, we focus on customer's comprehensive needs and "start" at the "end". We plan project operations comprehensively at the set up stage, give full play to the core advantages of "multi-regulation integration" formed by system planning methodology, emphasize the responsibility of the entire process, cooperate with customer continuously to form a comprehensive operational service integrating consultation and planning, EPC, business solicitation, and operation. This illustrates while helping customers to achieve industry introduction or other goals, the Company's comprehensive operation business scale could be expanded.

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 effect of industrial consultation and planning consultation, while consolidating conventional businesses, the Group developed consultation services such as strategic planning, industrial planning and comprehensive planning for a region, 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, continued to explore the long-tail profit mode, and unearthed deeply the industrial resources in places such as Chongqing, Yanan and Yinchuan, thereby enriching and substantiating the industrial resource sharing platforms of CEOVU.

During the Reporting Period, the Group's design and construction service income was RMB681.1 million, representing an increase of 44.0% as compared to the same period of 2018.

Property Management Services

During the Reporting Period, the income from the property management services of the Group was RMB542.5 million, representing an increase of 21.0% as compared to the same period of 2018. Among which, income from property management services provided to non-residential projects such as the industrial park amounted to RMB379.8 million, accounting for 70% of the total property management income. During the Reporting Period, the area covered by the property management service reached 20,630,000 sq.m., of which the area covered by non-residential property management services such as the industrial park accounted for 52.0%.

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, and established an intelligent park and intelligent communities management model. Based on the efficient and visualized management model, the Group can meet customer needs in a better way and improve customer satisfaction by compressing staff costs and improving management efficiency. With the addition of 1.5 million sq.m. of property service area in 2019, we have successfully won the bid in providing property services to projects outside the office including government, schools, banks, office buildings of large corporates, rail transit, and multi-city mobile business offices. In the next three years, we will continue to promote the management model of intelligent parks and intelligent communities. At the same time, the revenue of property management services is expected to grow in a high speed.

Energy Services

During the Reporting Period, the income from energy services of the Group was RMB96.2 million, which remained stable as compared to 2018.

Through years of development and exploration, Wuhan China Electronics Energy Conservation Co., Ltd* (武漢中電節能有限公司) ("**CEC Energy Conservation**") gradually established the energy service business system which adopted the intelligent control system ("**DHC**") as its core business with mechatronics engineering, EMC, and specialised pipelines as its feature. As of December 2019, CEC Energy Conservation had 25 utility models, 11 invention patents and 4 software copyrights relating to its self-developed energy-saving control system. Research and development for the CEC Energy Conservation's smart self-controlled energy-saving system was also fundamentally completed. In 2019, CEC Energy Conservation successfully signed contracts with Changsha CEC Software Park and Ningbo Information Harbour for energy station construction and operation service, and successfully won the bid for Wuhan Network Safety Base project of 580,000 sq.m for a total of 12 years and 480,000 sq.m. of China Construction Star complex for a total of 5 years of energy operation service contracts. The newly undertaken DHC project have an operating area of more than 1,600,000 sq.m. In order to facilitate the development of the project, three regional companies were established in Hefei, Chongqing and Shanghai. In the next two to three years, the accumulated operating service area is expected to exceed 10,000,000 sq.m.

Group Catering and Hotel Services

Based on the industrial park, Quanpai Catering (全派餐飲) not only provides services for the Group, but also promotes the business atmosphere in the park at the same time, attracting various businesses into the park and improving its comprehensive service ability. Since it was set up eight years ago, Quanpai Catering has gradually established its brand in the group catering industry in Wuhan. It is continuously expanding the market on top of the solid foundation laid. At present, Quanpai Catering has 28 market projects, among which five 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 in which it will, for a term of service of three years, 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. Adhering to its positioning of 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 2019, group catering and hotel services realized a revenue of RMB64.0 million.

Industrial Park Financial Services

For the year ended 31 December 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 controlled subsidiary of the Group, was in full charge of operating and managing certain industrial investment funds initiated and established by the Group's OVU Fund and relevant government and institutions. As of 31 December 2019, the scale of industrial funds managed by Lingdu Capital exceeded RMB650.0 million. It mainly focused on investment directions, including smart cities, intelligent manufacturing, healthcare big data, civil-military use, integrated circuits and cultural and creative entertainment, and focused on the investment and financial services in the early stages and the early-to-mid stage. Meanwhile, in 2019, the Group also organized activities jointly with CEC, initiated and organized an entrepreneurship competition named "Yizhidu Show"* (億隻獨SHOW), the CEC Partner Conference* (中電合作夥伴大會) and the CEC i plus innovation and creativity competition* (中電i+創新創意大賽).

The Group, together with Zhongjin Capital Operation Co., Ltd.* (中金資本運營有限公司) and others, established CEC & CICC (Xiamen) Electronic Industry Equity Investment Management Co., Ltd.* (中電中金(廈門)電子產業股權投資管理有限公司) which is responsible for the establishment and management of CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund ("**CEC & CICC**"). CEC & CICC, with a total fund scale amounting to RMB5.0 billion, focuses on the value chain of advanced manufacturing industries related to semiconductors and electronics, and is a complementary investment portfolio to small and medium-sized innovative technology companies.

CEC & CICC and fund managed by Lingdu Capital are the Group's key players in providing financial investment services to its customers. At the same time, they are the carrier of the Group in achieving the industrial investment strategies. Major achievements in the field of industrial investment in 2019 are detailed in the section on industrial investment.

The controlled subsidiary of the Group, Hubei Zhongchuang Financing Guarantee Co., Ltd.* (湖北中創融資擔保有限公司) built up a financial service platform in parks with guarantee businesses as focus, factoring and financial leasing as complements, providing financing guarantee service for SMEs as core business and financial services for industrial parks as feature, and established inclusive financial cooperation with various financial institutions such as the ICBC and the Industrial Bank. In 2019, we entered into 30 new financing service transactions of an aggregate amount of RMB260.8 million and generated an income of RMB22.4 million. Various businesses achieved zero overdue and zero risk throughout the year.

Digital Park (Apartment) Services

During the Reporting Period, the Group made a historical move in the construction of the industrial resource sharing platform with digital park system as its focus, industrial park application scenarios as its motive and objective, key technology as the point to break through and intelligent city construction as its general goal, and formed a "Digital Park System" based on PK system to promote the application in smart city demonstration zones and modernization of urban governance, providing application scenarios for the innovation of electronic network and information industry in ChinaTaking the digital park system as a tool, the Group actively carried out all-round integration and cooperation with CEC's related enterprises, and jointly developed and explored the intelligent building system based on domestic PLC with The 6th Research Institute of China Electronics Corporation. Together with China Information Security Institute Co., Ltd.* (中國信息安全研究院有限公司), CEC Industrial Internet, CECIS* (深圳中電國際信息科技有限公司), the Group jointly established the demonstration center for dual innovation of CEC, which has been fully affirmed by the National Development and Reform Commission. The digital park system also participated in important national internet exhibition, such as the China Electronics Industry Expo in Shenzhen, the 2nd Digital China (Fuzhou) Summit, the Smart China Expo in Chongqing, the China International Digital Economy Expo in Shijiazhuang, the World Internet Conference in Wuzhen, and the Cyber Security & Intelligent Manufacturing Conference, Changsha, Hunan. The Group vigorously promote the construction of an informatized and intelligent system of the industrial resources sharing platform, and was enlisted as a typical case of corporate cloud by Ministry of Industry and Information Technology in February 2019.

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 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 achievements 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 Services

During the Reporting Period, Wuhan OVU Technology Co., Ltd.* (武漢歐微優科技有限公司), a controlled subsidiary of the Group, was fully responsible for the operation of OVU Maker Star. During the Reporting Period, the operating income was RMB69.8 million.

OVU Maker Star is an innovative start-up service platform under the Group, which is a cross-regional and comprehensive super incubator with 38 sites in 19 cities across the country. The qualifications received include 5 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 more than 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 413,000 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, enhancing the industrial agglomeration of various industrial parks, and truly forming an industrial development ecology driven by the central enterprises of the group of CEC and the innovation of large, medium, small and micro-sized enterprises.

III. *Industrial Investment*

Wuhan Easylinkin Technology Co., Ltd. ("**Easylinkin Technology**")* (武漢慧聯無限科技有限公司), a company jointly invested by Wuhan Optics Valley Union Group Co., Ltd.* (武漢光谷聯合集團有限公司) and OVU Fund, 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 RMB480.0 million, finished the B-round financing led by China Growth Capital in 2018 where its post-investment valuation was approximately RMB830.0 million. During the Reporting Period, Easylinkin Technology has completed the C-round financing led by Beijing Megvii Co., Ltd.* (北京曠視科技有限公司) where its post-investment valuation was approximately RMB1,295.0 million. During the Reporting Period, operating income of Easylinkin Technology amounted to over RMB306.1 million, representing an increase of 53.7% 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.

Shenzhen Huada Beidou Technology Co., Ltd. ("**Huada Beidou**")* (深圳華大北斗科技有限公司), a company invested by CEC Optics Valley (Shenzhen) Industry Development Co., Ltd.* (中電光谷（深圳）產業發展有限公司), 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 Chips Open Platform" concept among industries of the world. 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 and has received wide market attention. During the Reporting Period, Huada Beidou's operating income was close to RMB200.0 million and completed A-round financing with a post-investment valuation of RMB895.0 million.

Invested by CEC & CICC, Shenzhen JPT Opto-electronics Co., Ltd. ("**JPT**")* (深圳市傑普特光電股份有限公司) is a state-level high and new technological enterprise that was established by returned overseas students focusing on the research and development, manufacturing and sales of laser light source, laser intelligent equipment and fiber optics components. It is the first manufacturer of commercial Master Oscillator Power Amplifier Fiber Laser (MOPA Pulsed Fiber Lasers) and leading provider of photoelectric precision detection and laser processing intelligent equipment in China. On 31 October 2019, JPT has successfully listed on the Shanghai Stock Exchange Science and Technology Board.

Effective industrial investment has not only broadened the Group's access to industrial resources, but also strengthened its ability to integrate industrial resources and has gradually become an important part of building an industry-wide resource sharing platform.

PROSPECT FOR 2020

2020 is a critical year for the implementation of CEOVU's new long-term plan. The Group will aim at building an industrial resource sharing platform and implement in-depth the new long-term strategy. The novel coronavirus epidemic affected the Group's business in Hubei Province and Wuhan to a certain extent, but in response to the uncertainties in the economic development, in recent years the Group has been improving its capability for sustainable development and carried out multi-project business layout planning in multiple cities. On this basis and guided by the national strategy implemented by CEC, the Group will take the initiative to turn adversities into opportunities, seize the new round of opportunities to invest in industries and infrastructure after the epidemic, and promote the upgrade of district industries in the new era. Using Digital Park System as the entry point of the upgrade of industry, we will vigorously promote the business synergy of the rental and sales, operation and industrial investment of the industrial parks, sparing no effort to enhance the full life-cycle construction and operation quality of the industrial parks, deepen the organizational reform, make further improvement in the development of the corporate governance system, enhance the governance capability in all aspects, and strive to achieve a growth in the 2020 key operating indicator on the basis of that in 2019.

The Group's Strategies

Establishing a Cross-regional Investment Cooperation System to Consolidate the Foundation of the Rental and Sales of the Industrial Parks

In 2020, rental and sales of industrial parks remains to be the cornerstone of the Group. We will establish a cross-regional industrial business promotion cooperation center based in Wuhan, Shenzhen, Shanghai and other cities, build and fully promote the online business promotion and operation platform for information sharing and full promotional effort, making use of the multiplier effect. With the breakthrough of forming a regional industrial network system and driven by big data, we will create new ways for industrial organizational coordination and new modes for promoting cross-regional business. We will utilize the important role of cities such as Qingdao, Hefei, Changsha, Wuhan, Ezhou and Shenyang in rental and sales of industrial parks, support cities such as Chengdu, Xi'an, Xianyang, Shanghai, Ningbo and Wenzhou to become new pivot cities for industrial business promotion, pay close attention to the layout of the new park projects according to the plan. Such a combination of measures ensures the rental and sales business of industrial parks to reach its annual target.

Improving the Service Capabilities in Providing Services for the Government, Enterprises, and Capital and Expanding the Scale of Integrated Operation Business

The goal of the Group's strategic transformation is to maintain the rental and sales business of industrial parks while expanding the scale of their integrated operation business, hence these two business segments could complement each other and grow in tandem. In 2020, the Group will adopt a new business mindset while striving to maintain its current industrial park operations services, in order to provide service to government platform companies and large enterprises, as well as to attempt to engage in capital cooperation with relevant funds and provide services for capital to adapt to the integrated and differentiated needs of customers. The Group will take the end as a new beginning, and step up its effort in comprehensively expanding its integrated operation business through various models: a model which benefits the expansion of business scale in Xianyang and Putian; a model which facilitates business extension on Shenzhen and Chongqing; the network safety base model which is both integrated and vibrant, and the comprehensive operational reform model focusing on regional integration in Ezhou. In a nutshell, the Group will further enhance the proportion of its integrated operation business to its total income with the policy of "strengthened stability, comprehensive enhancement, and proactive promotion".

Optimizing Organizational Structure, Enhancing New Talent Training, Proactively Collaborating with CEC

In 2020, the Group will make greater efforts to enhance the adaptivity of organizational change, such as the proactive transformation of the Group's leadership from control mode to empowerment mode; better utilize the intelligent management and control of various functional departments to further improve the efficiency of various processes, and ensure the implementation of ideas and measures to improve quality and efficiency. The Group will strengthen and improve cross-regional overall coordination mechanisms, so as to proactively promote the innovation of talent training modes which match the strategic goals, and provide a better space for the development of the excellent operational and management talents who are ambitious and capable. On this basis, the Group will cooperate fully with CEC to implement the concrete plans and deployments of national strategies, proactively prepare the industrial parks with suitable conditions in cities such as Chengdu, Shanghai, Wuhan, Changsha, Tianjin, Qingdao, Hefei and Xi'an, comprehensively enhance and test the Group's digitalization capabilities and actively make great progress in the construction of new generation network information system industry.

After years of practice, the Group firmly believes in the decisive effects of the implementation of systematic planning on solving regional coordination problems, the decisive effects of the transformation of the industry organization mode on the high-quality development of industry clusters, the decisive effect of the industrial ecological level on the sustainable development of industrial parks, and the decisive effect of the comprehensive operational capabilities of the industrial park based on "Digital Park System" on industrial upgrading and cultivation of new industries. In 2020, by virtue of our unique experience, the Group will firmly implement the concept of "One City One Measure", and engage in the deep exploration and implementation of industrial upgrade and new industry development in different areas.

In 2020, the Group will set goals and turn risks into opportunities with the spirit of collaboration and dedication, and contribute our wisdom and strength to industrial upgrading and stabilization of new industries.

FINANCIAL REVIEW

Revenue

The revenue of the Group is generated from the income from industrial park space services and industrial park operation services. During 2019, the revenue of the Group was RMB3,376.9 million during the year, increasing by RMB375.7 million or 12.5% as compared to the same period of 2018.

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

	For the year ended 31 December			
	2019		2018	
	Revenue	**% of total**	Revenue	% of total
	(RMB'000)		*(RMB'000)*	
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Rental and sales of industrial parks	**1,881,151**	**55.7**	1,846,275	61.5
Sales of industrial park	**1,656,060**	**49.0**	1,662,153	55.4
Park properties leasing	**206,071**	**6.1**	166,314	5.5
Sales of ancillary residentials	**19,020**	**0.6**	17,808	0.6
Industrial park operation services	**1,495,714**	**44.3**	1,154,862	38.5
Design and construction services	**681,066**	**20.2**	472,934	15.8
Property management services	**542,510**	**16.1**	448,360	14.9
Energy services	**96,231**	**2.8**	96,123	3.2
Group catering and hotel services	**63,953**	**1.9**	51,871	1.7
Industrial park financial services	**42,299**	**1.3**	26,304	0.9
Others	**69,655**	**2.0**	59,270	2.0
Total	**3,376,865**	**100.0**	3,001,137	100.0

Rental and Sales of Industrial Parks

In 2019, the revenue from the rental and sales of industrial park business of the Group was RMB1,881.2 million, representing an increase of 1.9% as compared to the revenue in 2018. Among which, the revenue from sales of industrial parks was RMB1,656.1 million, which remained steady as compared to the same period of 2018. The booked sales was 275,000 sq.m. It is noteworthy that the proportion of income from sales of industrial park to total revenue decreased from 55.4% in 2018 to 49.0% in 2019, representing a decrease of 6.4% points, and the Group has been gradually reducing its over-reliance on the sales business of the industrial park. The revenue from industrial park leasing amounted to RMB206.1 million, representing a growth of 23.9% as compared to the same period of 2018, with a self-owned property lease area of 305,000 sq.m and occupancy rate of over 80%. The leasing of high quality properties steadily contributed to the revenue of the Company.

Industrial Park Operation Services

In 2019, the Group provided integrated operation services, such as planning and consultation, EPC, design and construction, property management, regional energy, park finance and other services, for key projects of local government platform companies or large enterprises, and offered a variety of one-stop park operation services to enterprises stationed in our industrial parks. The turnover of the industrial park operation services of the Group amounted to RMB1,495.7 million, representing an increase of RMB340.8 million or 29.5% as compared to the same period of 2018. The income from industrial park operation services accounted for 44.3% of the total revenue in 2019. Among which, design and construction services reached RMB681.1 million, property management services reached RMB542.5 million, and energy services, park finance and other services reached RMB272.1 million. In terms of composition, the income from design and construction services and property management services accounted for 81.8% of the income from industrial park operation services, and is the major source of income of the industrial park operation services currently.

COST OF SALES

Overview

Cost of sales primarily consisted of (i) cost of properties sold in respect of the Group's rental and sales of industrial parks (mainly includes land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies), (ii) cost of construction services and (iii) cost of industrial park operation services.

During 2019, cost of sales of the Group was RMB2,301.6 million, increased by RMB336.5 million as compared to the same period of 2018. For the years ended 31 December 2018 and 2019, cost of sales of the Group accounted for approximately 65.5% and 68.2% of the Group's revenue, respectively.

Cost of Sales of Industrial Parks

Cost of sales of industrial parks consisted primarily of costs incurred directly for the Group's property development activities, including land acquisition costs, construction costs, capitalized interest and other costs for fair value adjustment in relation to acquisition of project companies.

During 2019, the cost of properties sold of the Group was RMB957.5 million, decreased by RMB126.6 million as compared to the same period of 2018. For the years ended 31 December 2018 and 2019, cost of properties sold of the Group accounted for 55.2% and 41.6% of its total cost of sales, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during 2019, overall gross profit of the Group was RMB1,075.3 million, increased by RMB39.2 million as compared to the same period of 2018. Overall gross profit margin was 31.8%, decreased by 2.7% as compared to 34.5% of last year.

Other Income and Gains/(Losses) – Net

During 2019, other income and gains of the Group was RMB275.2 million, representing an increase of RMB51.3 million as compared to the same period of 2018, primarily due to the recognition of an appreciation in fair value of RMB82.2 million on the Group's investment in Easylink Technology, the Group's financial assets at fair vale through profit or loss, as a result of the increase in its valuation after completion of the new round of financing; and also the revenue amounting to RMB112.5 million from the disposal of some investment properties.

Selling and Distribution Expenses

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

During 2019, selling and distribution expenses of the Group was RMB116.9 million, which have increased by RMB30.8 million as compared to the same period of 2018. For the years ended 31 December 2018 and 2019, selling and distribution expenses of the Group accounted for approximately 2.9% and 3.5% of the Group's revenue, respectively.

Administrative Expenses

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

During 2019, administrative expenses of the Group was RMB335.2 million, increasing by RMB39.9 million as compared to the same period of 2018, primarily due to the increase in staff costs and office administration expenses as a result of increase in subsidiaries as the Group adopted a prudent but expansive operation strategy in 2019. For the years ended 31 December 2018 and 2019, administrative expenses of the Group accounted for approximately 9.8% and 9.9% of the Group's revenue, respectively, which remained basically stable.

Fair Value Gains on Investment Properties

During 2019, gains from changes in fair value on the Group's investment properties were RMB155.7 million, increasing by RMB98.3 million as compared to the same period of 2018, primarily due to an increase in the area of investment properties newly added by the Group during the year as compared to the same period of last year.

Finance Income

During 2019, finance income of the Group was RMB101.5 million, increased by RMB33.9 million as compared to the same period of 2018, primarily due to an increase of gains from interest income as the Group enhanced the management of idle funds.

Finance Costs

During 2019, finance costs of the Group was RMB262.7 million, increased by RMB85.1 million as compared to the same period of 2018, primarily due to the increase of the Group's average interest-bearing liabilities during the year and the inability to capitalize certain equity investment funds as well as the impact from the adoption of IFRS 16.

Share of Profits of Associates

During 2019, the profits of associates shared by the Group was RMB45.3 million, representing a decrease of RMB19.0 million as compared to the same period of 2018, primarily consisted of the Group's share of profits from its associates, Hainan Software Community.

Share of Profits of Joint Ventures

The Group had a share of profits of joint ventures of RMB42.5 million for the year ended 31 December 2019, which primarily consisted of the Group's share of profits from Ningbo Excellence Optics Valley Real Estate Co., Ltd.* (寧波卓越光谷置業有限公司).

Income Tax Expense

During 2019, the Group's income tax expense was RMB362.6 million, representing an increase of RMB49.8 million over the same period of 2018, mainly due to an increase of RMB54.7 million in the expenditure of Land Appreciation Tax, where the effective tax rates of the Group were 34.6% and 37.9% in 2018 and 2019, respectively.

Profit Attributable to Owners of the Company and Core Net Profit

As a result of the foregoing, the profit attributable to owners of the Company for the year was RMB569.3 million, representing an increase of RMB27.8 million over the same period of 2018. However, after deducting the after-tax fair value gains from the investment property and property investment business, the core net profit was approximately RMB413.0 million in 2019, which was 8.4% lower than that in the same period of 2018.

Basic Earnings Per Share

The basic earnings per share increased from RMB7.07 cents in 2018 to RMB7.44 cents in 2019.

FINANCIAL POSITION

Properties under Development

As at 31 December 2019, the carrying amount of the Group's properties under development was RMB2,509.0 million, which has increased by RMB152.2 million as compared to that as at 31 December 2018.

Completed Properties Held for Sale

As at 31 December 2019, the carrying amount of completed properties held for sale of the Group was RMB3,066.5 million, increased by RMB667.2 million as compared to that as at 31 December 2018, the main reason for which is that the increase in the amount of completed projects of the Group during the year was higher than the operating costs carried forward of the properties sold during the year.

Trade and Other Receivables

As at 31 December 2019, the Group's trade and other receivables was RMB1,939.4 million, decreased by RMB213.4 million as compared to that as at 31 December 2018, primarily due to the good cash back from sales during the year and the significant improvement in cash flow from operating activities. In accordance with the terms of the relevant sale and purchase agreements, the model of recovery from sale of properties can be classified into bank mortgage loans, one-off payment or installment payments.

Trade and Other Payables

As at 31 December 2019, the Group's trade and other payables was RMB3,462.8 million, increased by RMB1,094.4 million as compared to that as at 31 December 2018, primarily due to the increase in the area of work-in-progress of the Group in 2019, which resulted in the increase of amounts payable for related contract work.

Liquidity and Capital Resources

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

In 2019, the Group's net cash inflow from operating activities was RMB389.7 million, which was mainly due to the good cash back from sales during the year and the significant improvement in cash flow from operating activities.

In 2019, the Group's net cash outflow from financing activities was RMB707.6 million, which was mainly from the proceeds from the Company's issuance of medium-term notes and new bank borrowings drawn, of which the cash outflow comprises the repayment of bank borrowings, other borrowings, as well as the payment of interests and dividends.

KEY FINANCIAL RATIOS

Current Ratio

Current ratio of the Group, representing total current assets divided by total current liabilities, decreased from 1.65 as at 31 December 2018 to 1.51 as at 31 December 2019. It was primarily due to the increase in the area of work-in-progress of the Group in 2019, and the significance increase in trade and construction payables for related contract work. As a result, growth rate of current liabilities were greater than that of current assets.

Net Gearing Ratio

The net gearing ratio of the Group, that is, interest-bearing debt less total cash to total equity ratio multiplied by 100%, decreased from 28.1% on 31 December 2018 to 27.1% on 31 December 2019, mainly due to the increase in equity.

Indebtedness

As at 31 December 2019, the Group's total outstanding indebtedness was RMB4,729.7 million, which have decreased by RMB61.8 million as compared to that as at 31 December 2018.

As at 31 December 2019, the Group's unutilized banking facilities amounted to RMB715.0 million and unutilized other borrowings amounted to RMB1,500.0 million.

Contingent Liabilities

The Group provides guarantees for its customers' mortgage loans with PRC banks to facilitate their purchases of the Group's pre-sold properties. As at 31 December 2018 and 31 December 2019, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB675.3 million and RMB527.0 million, respectively.

Net Current Assets

Current assets of the Group consist primarily of properties under development, completed properties held for sale, trade and other receivables, inventories and contracted work-in progress, short-term deposits with original maturities over three months, restricted assets and cash and cash equivalents. Total current assets of the Group were approximately RMB11,226.8 million as at 31 December 2019, as compared to RMB9,943.2 million as at 31 December 2018. As at 31 December 2018 and 31 December 2019, aggregate cash and cash equivalents of the Group amounted to approximately RMB1,927.2 million and RMB1,653.5 million, respectively. The Group primarily financed its expenditures through internally-generated cash flows, being primarily cash generated through pre-sale and sale of its properties and cash from bank loans and other borrowings.

Current liabilities of the Group consist primarily of trade and other payables, loans and borrowings, the current portion of deferred income and current tax liabilities. Trade and other payables mainly represent costs related to its development activities. Total current liabilities of the Group were approximately RMB7,438.3 million as at 31 December 2019, as compared to RMB6,038.9 million as at 31 December 2018.

As at 31 December 2019, the Group had net current assets of approximately RMB3,788.5 million as compared to RMB3,904.3 million as at 31 December 2018. The net current assets of the Group decreased mainly due to the increase in the area of construction in progress of the Group in 2019 and the significant increase in trade and construction payables, resulting in the increase in current liabilities being larger than that in current assets.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group increased by RMB217.3 million from RMB166.9 million in 2018 to RMB384.2 million in 2019. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets.

As at 31 December 2018 and 31 December 2019, the Group's outstanding balances of its commitments related to property development expenditure and investment were RMB911.1 million and RMB1,079.8 million, respectively.

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.

Material Acquisitions

During the year ended 31 December 2019, the Group did not have any material acquisition of subsidiaries, associates and joint ventures.

Material Disposals

During the year ended 31 December 2019, the Group did not have any material disposal of subsidiaries, associates and joint ventures.

Significant Events After the End of the Year

Since the beginning of 2020, the 2019 novel coronavirus (COVID-19) that has ravaged the world affects the operating business of the Group to a certain extent in the short run. However, the Group is confident that the impact will be brought under control within a limited range within the year.

The Board has assessed the potential impacts of the COVID-19 outbreak on the operation of the Group as follows:

Domestic and foreign enterprises are more cautious in office relocation and expansion, which would possibly affect the signing of new contracts for the rental and sales of industrial parks in the first half of the year;

With respect to investment properties and financial assets measured at fair value of the Group, their fair values will be affected during the year.

After years of transformation, reform and industrial upgrade, the Group has accumulated experience in dealing with uncertainties and increased capability for sustainable development based on the nationwide business layout and business structure optimisation achieved by the industrial park digital business, which provided a solid foundation for the Group to respond to the COVID-19 outbreak, and enabled the Group to take the initiative to turn crises into opportunities, launch new businesses and expand new models. The three aspects are as follows:

(1) The execution of the contracts which were entered into in 2019 will not be significantly affected by the epidemic from 2020 onwards and will continue to contribute to income and profit for 2020 and the years onwards steadily.

(2) In response to the impact of epidemic and the downward pressure on the economy, the central government has clearly defined economic and industrial policies to cultivate new production capacity and enhance industrial upgrade, and local governments have successively issued large-scale investment plans for new infrastructure projects, which are generally more beneficially to the development of industrial parks business. The Group will make full use of these policies and spare no effort in seizing the opportunities of business expansion to promote and transform such opportunities into a new wave of new contracts for integrated operation business.

(3) The Group will fully cooperate with the group of CEC in implementing the specific plan and deployment of the national strategy, speed up the business promotion of CEOVU digital park system based on CEC PK system and domestic PLC systems, fully demonstrate the basic and exemplary role of digital park in driving regional industrial development and urban regional governance, and give full play to the advantages of industrial resource sharing platform in promoting cross-regional industrial cooperation. The digital capability is used to enable the industrial upgrade and new industry cultivation of local governments, and the business development of the digital park is regarded as the new performance growth point of the Group in business development.

As at the date of this announcement, the Group has not been able to reliably estimate the overall financial impact because of the outbreak. The Group will continue to assess the impact of the COVID-19 outbreak on the Group's financial position, result of operations and cash flow.

Employees

As at 31 December 2019, the Group had 6,035 full-time employees. The employment cost of the Group was approximately RMB529.8 million for the year ended 31 December 2019. The Group entered 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 salaries, allowances, bonuses and other employee benefits. The Group has implemented measures for assessing employees' performance and promotion and a system of employee compensation and benefits.

The remuneration packages of employees include salaries and bonuses. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority.

Pursuant to the relevant labor rules and regulations in China, the Group participates in statutory contribution pension schemes which are administered and operated by the relevant local government authorities. The Group is required to make contributions to such schemes from 16% to 20% of the average salary announced annually by the local municipal government. The local government authorities are responsible for the entire pension 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.

Pledged Assets

As at 31 December 2019, the Group had pledged certain of its assets with a total net book value of RMB2,145.6 million for the purpose of securing outstanding bank borrowings and corporate bonds, including investment properties, properties under development for sale, completed properties held for sale and property, plant and equipment and restricted cash.

Market Risks

The Group is, in the normal course of business, exposed to market risks, primarily credit, liquidity, interest rate and currency risks.

Liquidity Risk

The Group reviews its liquidity position on an ongoing basis, including expected cash flow, sale/pre-sale results of its respective property projects, maturity of loans and the progress of planned property development projects.

Interest Rate Risk

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB4,729.7 million as at 31 December 2019. The Group undertakes debt obligations to support its property development and general working capital needs. Soaring interest rates may increase the cost of its financing. Fluctuations in interest rates can also lead to significant fluctuations in the fair values of its debt obligations. The Group currently does not carry out any hedging activities to manage its interest rate risk.

Foreign Exchange Risk

The Group's functional currency is Renminbi and substantially all of its revenue, expenses, cash and deposits are denominated in Renminbi. The Group's exposure to currency exchange risks arises from certain of its cash and bank balances which are denominated in Hong Kong dollar. In the event of a depreciation of the Hong Kong dollar against Renminbi, the value of its cash and bank balances in Hong Kong dollar will decline. In addition, if the Group maintains any foreign currency denominated assets or liabilities, including raising any foreign currency-denominated debts, fluctuations in Renminbi exchange rates will have an impact on the value of such assets and liabilities, thus affecting its financial condition and results of operations. The Group does not use derivative financial instruments to hedge its foreign currency risk. The Group reviews its foreign currency exposure regularly and considers that the exposure on its foreign exchange risk is not significant.

Credit Risk

The Group is exposed to credit risk, primarily attributable to trade and other receivables. With respect to leasing income from its investment properties, the Group believes the deposits held is sufficient to cover its exposure to potential credit risk. An aging analysis of the receivables is performed on a regular basis, which the Group monitors closely to minimise any credit risk associated with these receivables. The Group has no concentration of credit risk in view of its large number of customers. The Group did not record significant bad debt losses during the year.

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 ("**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK$4,999,360. On 24 January 2019, the Company cancelled 43,860,000 Shares repurchased, 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 Highest *(HK$)*	Lowest *(HK$)*	Aggregate consideration *(HK$)*
January 2019	12,024,000	0.455	0.4	4,999,360
	12,024,000			4,999,360

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2019.

SHARE AWARD SCHEME

A share award scheme was adopted by the Company on 22 December 2016 (the "**Share Award Scheme**").

The purposes of the Share Award Scheme are (i) to recognise the contributions by certain directors, officers and/or employees and to incentivize them in order to retain them for the continual operation and development of the Group, and (ii) to attract suitable personnel for further development of the Group. Details of the Share Award Scheme are set out in the Company's announcement dated 22 December 2016.

During 2016, the trustee appointed by the Company for the purpose of the Share Award Scheme purchased a total of 152,998,000 Shares at a total consideration of HK$122,928,380 (equivalent to RMB110,105,000) according to the Share Award Scheme. As at 31 December 2019, none of the 152,998,000 Shares has been granted.

CORPORATE GOVERNANCE

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard the interests of its shareholders (the "**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 of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices. The CG Code has been applicable to the Company with effect from the date of listing of the Company. During the year, the Company has been in compliance with the principles and code provisions of the CG Code, except for code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the role of chairman and the chief executive should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and president (equivalent to the chairman and chief executive as stated in the CG Code) and Mr. Huang Liping currently performs these two roles. The Board believes that vesting the roles of both chairman and president in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority will not be impaired by the present arrangement and this structure will enable the Group 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 and that their views are communicated to the Board.

Save as disclosed above, during the year, the Company has been in compliance with all principles and code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, the Company confirmed that all the Directors have complied with the required standards in the Model Code during the year.

CHANGE IN DIRECTOR'S INFORMATION

From 1 January 2019 to the date of this announcement, the change in the information of the Directors of the Company are as follows:

(1) Mr. Leung Man Kit was appointed as the responsible officer for Type 6 regulated activity of Grand Moore Capital Limited* (中毅資本有限公司) on 18 September 2019;

(2) Mr. Qi Min resigned as a director of Hubei Taizi Mountain Hunting Culture Co., Ltd* (湖北太子山狩獵文化股份有限公司) (National SME Share Transfer System Code: 870746) on 22 August 2019;

(3) Mr. Xiang Qunxiong ceased to be the secretary to the board of directors of China Electronics International Information Service Co., Ltd* (中國中電國際信息服務有限公司) on 11 November 2019;

(4) Mr. Zhang Jie ceased to be the general manager of the property construction and operation centre of Sunshine Insurance Group Corporation Limited* (陽光保險集團股份有限公司) on 30 September 2019, and has been serving as the deputy general manager of the pension and property centre of Sunshine Insurance Group Corporation Limited* (陽光保險集團股份有限公司) since 30 September 2019.

REVIEW OF THE UNAUDITED ANNUAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established with terms of reference in compliance with the CG Code, and comprises four members, namely Mr. Leung Man Kit (independent non-executive Director), Ms. Wang Qiuju (non-executive Director), Mr. Qi Min (independent non-executive Director) and Mr. Qiu Hongsheng (independent non-executive Director). The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the unaudited annual results for the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") is expected to be held on 24 June 2020. A notice convening the AGM will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

Based on the assumption that the audited results for the year ended 31 December 2019 will be consistent in all material respects with the unaudited results set out herein, the Board proposed to declare a final dividend of HK$2.50 cents (equivalent to approximately RMB2.28 cents) per share of the Company, approximately HK$189.4 million in aggregate (equivalent to approximately RMB172.5 million) for the year ended 31 December 2019 on the basis of 7,574,352,000 Shares in issue as at the date hereof, which will be payable to Shareholders whose names appear on the register of members of the Company on 5 August 2020, subject to approval of the Shareholders at the AGM. The proposed final dividend is expected to be paid to the Shareholders on or before 31 August 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 19 June 2020 to 24 June 2020 (both days inclusive), during such period no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 18 June 2020.

For the purpose of determining the entitlement of Shareholders to the final dividend, the register of members of the Company will also be closed from 4 August 2020 to 5 August 2020 (both days inclusive), during such period no transfer of shares will be registered. To ensure the entitlement to the final dividend, which will be resolved and voted by the Company at the AGM, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 3 August 2020.

FURTHER ANNOUNCEMENT(S)

The Group is headquartered in Wuhan, Hubei Province of China. Under the influence of the novel coronavirus (COVID-19) epidemic, and travel restrictions in force in parts of China, and especially in Wuhan, certain audit procedures required to be conducted by the Company's auditors ("**Auditors**") cannot be completed by the date of this announcement. The unaudited results for the year ended 31 December 2019 contained herein have not been agreed with the Auditors as required under Rule 13.49(2) of the Listing Rules.

Following the completion of the auditing process, the Company will issue further announcement in relation to the audited results for the year ended 31 December 2019 as agreed by the Auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process, including the expected date of completion of the auditing process once it can be ascertained.

PUBLICATION OF ANNUAL RESULTS AND 2019 ANNUAL 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 Annual 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.

The auditing process of the financial information of the Group for the year ended 31 December 2019 contained herein has not been fully completed. Therefore, the unaudited results contained herein have yet to be agreed with the Auditors as required under Rule 13.49(2) of the Listing Rule, and are subject to adjustments. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong
24 March 2020

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 Mr. Qiu Hongsheng as independent non-executive directors.

* *For identification purpose only*