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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

SUMMARY OF 2020 RESULTS

- In 2020, the Group faced the tough challenge of COVID-19 pandemic, and still manage to achieve total revenue of RMB3,048.6 million, reaching 90.3% of the level of the same period of last year; among which, the revenue from industrial park operation services to the total revenue increased from 50.4% in 2019 to 52.4%. Net profit for the year RMB540.5 million, reaching 91.0% of the level of the same period of last year. In 2020, the Group also transferred certain equity in industrial investment projects, realizing a return in investment of over RMB153.6 million. The business layout of the development, operation and industrial investment of the industrial parks was further demonstrated by the above result indicators.

- In 2020, the Group has vigorously promoted its strategy of attracting customers through "responsive customization (敏捷定制)", organized supply chain financial solutions, adhered to the bottom line principle of maintaining a positive operating cash flow, and thus realized RMB98.7 million in net cash inflow from operating activities.

- In 2020, with the new addition of high-quality industrial park projects in Tianjin and Wuhan, the Group has high-quality land bank of approximately 6,226,000 sq.m. in various cities, including Chengdu, Changsha, Shanghai, Wuhan and Tianjin as at the end of the Reporting Period.

- In order to maintain the growth of industrial park investment and lay the foundation for growth during the "14th Five-Year Plan" period, the Group has moderately increased the reserve and operating rate of its industrial parks. As at 31 December 2020, the total bank borrowings and bonds payables of the Group was RMB5,610.2 million, representing an increase of RMB880.5 million or 18.6% as compared to the end of last year, with the gearing ratio being strictly controlled under 60%. Benefiting from factors such as financing structure adjustment, the average borrowing costs decreased to 5.4% in 2020 as compared to 6.0% in 2019.

- The Group has adhered to its sustainable and stable profit distribution policy. The Board proposes to declare a final dividend of HK$2.00 cents (equivalent to approximately RMB1.68 cents) per Share, amounting to approximately HK$151.5 million in aggregate (equivalent to approximately RMB126.9 million) for the year ended 31 December 2020.

The board (the "**Board**") of directors (the "**Directors**") of China Electronics Optics Valley Union Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**" or "**CEOVU**") for the year ended 31 December 2020 ("**Reporting Period**"), together with the comparative figures of the audited consolidated financial results for 2019 as follows.

CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**3,048,618**	3,376,865
Cost of sales	*5*	**(2,110,808)**	(2,301,582)
Gross profit		**937,810**	1,075,283
Other income and gains – net	*4*	**268,248**	275,181
Selling and distribution expenses	*5*	**(113,638)**	(116,908)
Administrative expenses	*5*	**(310,296)**	(335,194)
Net impairment losses on financial and contract assets	*5*	**(21,117)**	(23,903)
Fair value gains on investment properties	*11*	**85,726**	155,677
Operating profit		**846,733**	1,030,136
Finance income	*6*	**78,334**	101,538
Finance costs	*6*	**(240,484)**	(262,710)
Net finance costs		**(162,150)**	(161,172)
Share of profits of associates	*7*	**124,818**	45,297
Share of profits of joint ventures		**7,512**	42,474
Profit before income tax		**816,913**	956,735
Income tax expense	*8*	**(276,445)**	(362,552)
Profit for the year		**540,468**	594,183
Profit for the year attributable to:			
— Owners of the Company		**464,340**	569,272
— Non-controlling interests		**76,128**	24,911
Profit for the year		**540,468**	594,183
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (RMB cents)	*9*	**6.13**	7.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**540,468**	594,183
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
— Currency translation differences	**(23,402)**	5,648
Other comprehensive income for the year, net of tax	**(23,402)**	5,648
Total comprehensive income for the year	**517,066**	599,831
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**440,938**	574,920
— Non-controlling interests	**76,128**	24,911
Total comprehensive income for the year	**517,066**	599,831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**435,971**	440,962
Right-of-use assets	*10*	**67,478**	73,850
Investment properties	*11*	**4,697,854**	3,651,261
Intangible assets		**57,342**	35,834
Investments in associates	*7*	**1,883,044**	1,554,483
Investments in joint ventures		**190,103**	182,591
Financial assets at fair value through profit or loss		**572,006**	307,926
Trade and other receivables	*15*	**380,593**	82,367
Deferred income tax assets		**72,258**	59,396
		8,356,649	6,388,670
Current assets			
Properties under development	*12*	**2,796,527**	2,508,986
Completed properties held for sale	*13*	**3,198,710**	3,066,529
Inventories and contracting work-in-progress	*14*	**71,540**	70,020
Trade and other receivables	*15*	**1,936,993**	1,857,070
Current income tax assets		**45,919**	—
Financial assets at fair value through profit or loss		**45,095**	75,000
Contract assets		**639,670**	1,605,396
Deposits in banks with original maturities over three months		**21,516**	41,226
Restricted cash		**188,460**	349,146
Cash and cash equivalents		**2,124,958**	1,653,463
		11,069,388	11,226,836
Current liabilities			
Contract liabilities		**382,995**	337,243
Trade and other payables	*16*	**3,279,130**	3,462,790
Corporate bonds	*17*	**1,334,501**	1,280,239
Bank and other borrowings	*18*	**3,061,350**	1,911,461
Lease liabilities	*10*	**81,518**	69,692
Current income tax liabilities		**526,125**	364,928
Current portion of deferred income		**62,566**	11,944
		8,728,185	7,438,297
Net current assets		**2,341,203**	3,788,539
Total assets less current liabilities		**10,697,852**	10,177,209

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank and other borrowings	*18*	**1,214,345**	1,538,039
Lease liabilities	*10*	**458,148**	496,976
Deferred income tax liabilities		**462,467**	442,412
Non-current portion of deferred income		**563,096**	107,491
		2,698,056	2,584,918
Net assets		**7,999,796**	7,592,291
Equity			
Share capital	*19*	**623,048**	623,048
Treasury shares	*19*	**(121,056)**	(121,056)
Reserves		**2,963,354**	2,897,733
Retained earnings		**3,415,452**	3,208,519
Total equity attributable to owners of the Company		**6,880,798**	6,608,244
Non-controlling interests		**1,118,998**	984,047
Total equity		**7,999,796**	7,592,291
Total equity and non-current liabilities		**10,697,852**	10,177,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

China Electronics Optics Valley Union Holding Company Limited (formerly known as "**Optics Valley Union Holding Company Limited**") and its subsidiaries 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.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) 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 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to IFRS 16

(b) ***New and amended standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ended 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts (new standard)	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS 2 Practice Statement	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definitions of Accounting Estimates	1 January 2022
Amendments to IFRS 3	Update reference to the conceptual framework	1 January 2022
Amendments to IFRS 16	Proceeds before intended use	1 January 2022
Amendments to IFRS 37	Onerous contracts – costs of fulfilling a contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	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.

3 REVENUE AND SEGMENT INFORMATION

The Group manages its businesses by business lines (products and services). During the year ended 31 December 2020, to better align with the Group's business strategy, the Group reclassified the industrial park property leasing business from industrial park development services segment into industrial park operation services segment. As a result, the segment information for the year ended 31 December 2019 was re-presented for comparison purposes.

At 31 December 2020, the Group has the following three segments:

- Industrial park development services: this segment develops and sells industrial parks and ancillary residential properties.

- 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, leasing service, energy service, financing service and other services for industrial parks. 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 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 2020 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 year is set out below.

For the year ended 31 December 2020

	Industrial park development services *RMB'000*	Industrial park operation services *RMB'000*	Industrial investment *RMB'000*	Total *RMB'000*
Revenue from contracts with customers	**1,450,669**	**2,126,199**	**—**	**3,576,868**
— Recognition at point in time	**1,255,826**	**124,736**	**—**	**1,380,562**
— Recognition over time	**194,843**	**2,001,463**	**—**	**2,196,306**
Revenue from other source				
— Rental income	**—**	**219,326**	**—**	**219,326**
Segment revenue	**1,450,669**	**2,345,525**	**—**	**3,796,194**
Inter-segment revenue	**—**	**(747,576)**	**—**	**(747,576)**
Revenue from external customers	**1,450,669**	**1,597,949**	**—**	**3,048,618**
Segment results	**571,307**	**209,308**	**89,037**	**869,652**
Depreciation and amortisation	**(40,392)**	**(67,983)**	**(270)**	**(108,645)**

For the year ended 31 December 2019

	Industrial park development services RMB'000	Industrial park operation services RMB'000	Industrial investment RMB'000	Total RMB'000
Revenue from contracts with customers	1,689,300	2,194,037	—	3,883,337
— Recognition at point in time	1,298,913	97,740	—	1,396,653
— Recognition over time	390,387	2,096,297	—	2,486,684
Revenue from other source				
— Rental income	—	206,071	—	206,071
Segment revenue	1,689,300	2,400,108	—	4,089,408
Inter-segment revenue	(14,220)	(698,323)	—	(712,543)
Revenue from external customers	1,675,080	1,701,785	—	3,376,865
Segment results	696,431	216,897	75,292	988,620
Depreciation and amortisation	(50,537)	(63,366)	(258)	(114,161)

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

	2020	2019
	RMB'000	*RMB'000*
Segment results	**869,652**	988,620
Fair value gains on investment properties	**85,726**	155,677
Share of profits of associates	**124,818**	45,297
Share of profits of joint ventures	**7,512**	42,474
Finance income	**78,334**	101,538
Finance costs	**(240,484)**	(262,710)
Depreciation and amortisation	**(108,645)**	(114,161)
Income tax expense	**(276,445)**	(362,552)
Profit for the year	**540,468**	594,183

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

	2020	2019
	RMB'000	*RMB'000*
Industrial park development services		
Sales of industrial parks	**1,450,500**	1,656,060
Sales of ancillary residential properties	**169**	19,020
	1,450,669	1,675,080
Industrial park operation services		
Design and construction services	**440,544**	681,066
Property management services	**623,435**	542,510
Industrial park property leasing	**219,326**	206,071
Energy services	**85,363**	96,231
Group catering and hotel services	**79,027**	63,953
Industrial financial services	**41,442**	42,299
Others	**108,812**	69,655
	1,597,949	1,701,785
Total	**3,048,618**	3,376,865

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

	2020	2019
	RMB'000	*RMB'000*
Gain on disposal of investment properties	**40,917**	112,493
Fair value gains on financial assets at fair value through profit or loss	**43,960**	82,157
Government grants	**121,322**	53,207
Gain from deemed partial disposals	**9,919**	28,222
Gain on disposal of a subsidiary	**—**	25,693
Gain/(loss) on disposal of associates	**36,223**	(27,597)
Net gain on disposal of property, plant and equipment	**93**	181
Gain on COVID-19-related rent concessions	**9,685**	—
Loss on liquidation of subsidiaries	**128**	—
Others	**6,001**	825
	268,248	275,181

5 EXPENSES BY NATURE

	2020	2019
	RMB'000	*RMB'000*
Cost of properties sold	**824,087**	957,482
Cost of construction services	**371,266**	533,947
Employee benefit expenses	**541,859**	529,846
Outsourcing costs for industrial park operation	**579,922**	494,763
Depreciation	**104,250**	112,208
Amortisation	**4,395**	1,953
Net impairment losses on financial and contract assets	**21,117**	23,903
Other professional service fees	**29,701**	21,452
Advertising costs	**16,889**	20,378
Auditors' remuneration		
— Audit services	**2,000**	2,000
— Non-audit services	**1,445**	960
Other expenses	**58,928**	78,695
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial and contract assets	**2,555,859**	2,777,587

6 FINANCE INCOME AND COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expenses of bank and other borrowings	**(350,459)**	(359,481)
Interest expenses on leasing liabilities	**(32,910)**	(32,850)
Capitalised interest expenses	**143,904**	129,122
Net foreign exchange (losses)/gains	**(1,019)**	499
Finance costs	**(240,484)**	(262,710)
Interest income from loans provided to related parties	**2,232**	40,078
Interest income from deposits	**67,549**	54,108
Interest income from sublease	**5,044**	6,036
Income from wealth management products	**3,509**	1,316
Finance income	**78,334**	101,538
Net finance costs	**(162,150)**	(161,172)

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.66% to 5.94% (2019: 4.66% to 5.94%) per annum, and other borrowing costs were capitalised using an average interest rate of 5.43% (2019: 6.31%) per annum.

7 INVESTMENTS IN ASSOCIATES

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**1,554,483**	1,517,876
Additions	**277,080**	100,145
Share of profits	**124,818**	45,297
Gain from deemed partial disposal	**9,919**	28,222
Dividend received	**—**	(20,000)
Disposals	**(83,108)**	(117,057)
Others	**(148)**	—
As at 31 December	**1,883,044**	1,554,483

List of principal associates as at 31 December 2020 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 ("**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 ("**CEC & CICC**")	PRC, limited liability company	PRC, limited partnership	RMB1,872,600,000	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 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Identifiable current assets and liabilities assumed		
Assets	**11,329,513**	10,713,858
Liabilities	**(4,020,125)**	(3,036,363)
Identifiable net current assets	**7,309,388**	7,677,495
Identifiable non-current assets and liabilities assumed		
Assets	**3,820,909**	3,084,817
Liabilities	**(6,093,588)**	(6,169,869)
Identifiable net non-current assets	**(2,272,679)**	(3,085,052)
Identifiable net assets	**5,036,709**	4,592,443
Identifiable net assets attributable to owners of the associate	**5,004,568**	4,556,197
Interest held by the Group	**20%**	20%
Carrying amount	**1,000,914**	911,239

8 INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
PRC Corporate Income Tax ("**CIT**")	**162,815**	136,489
Land Appreciation Tax ("**LAT**")	**106,437**	164,683
Total current tax	**269,252**	301,172
Deferred tax*:*		
— Origination and reversal of temporary differences	**848**	52,500
— Withholding income tax	**6,345**	8,880
Income tax expense	**276,445**	362,552

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:

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**816,913**	956,735
Tax calculated at domestic statutory tax rate of 25% *(Note (i) to (iii))*	**204,228**	239,184
Tax effects of:		
— Share of results of associates and joint ventures	**(33,083)**	(21,943)
— Expenses not deductible for tax purposes	**4,489**	3,839
— Adopting prescribed tax calculation method by PRC subsidiaries *(Note (iii))*	**5,003**	1,868
— Tax losses for which no deferred income tax asset was recognised	**9,635**	7,212
LAT in relation to properties sold *(Note (iv))*	**106,437**	164,683
Tax effects of LAT	**(26,609)**	(41,171)
Witholding income tax on profit to be distributed in future	**6,345**	8,880
Income tax expense	**276,445**	362,552

(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 has been made as the Group had no taxable profit in Hong Kong in 2020.

(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)*.

	2020	2019
Profit attributable to owners of the Company (RMB'000)	**464,340**	569,272
Weighted average number of ordinary shares in issue (thousands)	**7,574,352**	7,646,905
Basic earnings per share (RMB cents)	**6.13**	7.44

There were no potential dilutive ordinary shares in 2020 and 2019, 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 2020	31 December 2019
	RMB'000	*RMB'000*
Investment properties	**562,373**	599,553
Right-of-use assets		
— Properties	**64,225**	70,526
— Reclassification from land use rights	**3,253**	3,324
	629,851	673,403
Lease liabilities		
Current	**81,518**	69,692
Non-current	**458,148**	496,976
	539,666	566,668

The following table presents the changes of right-of-use assets for the year ended 31 December 2020:

	2020
	RMB'000
Balance at 31 December 2019	**73,850**
Additions	**2,273**
Depreciation/amortisation	**(8,645)**
Closing net book amount	**67,478**

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

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

	2020	2019
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Properties	**8,574**	29,389
Land use rights	**71**	70
	8,645	29,459
Interest expense (included in finance cost) *(Note 6)*	**(32,910)**	(32,850)
Interest income (included in finance income) *(Note 6)*	**5,044**	6,036

The total cash outflow for leases in 2020 was RMB73,990,677.

(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 3 to 20 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

	2020	2019
	RMB'000	*RMB'000*
At fair value		
Opening balance at 1 January	**3,651,261**	3,031,313
Transfer from properties under development and completed properties held for sale	**378,166**	232,989
Other additions	**673,398**	275,957
Fair value changes	**85,726**	155,677
Disposals	**(90,697)**	(44,675)
Closing balance at 31 December	**4,697,854**	3,651,261

Amounts recognised in profit and loss for investment properties

	2020	2019
	RMB'000	*RMB'000*
Rental income from self-owned properties	**175,365**	135,215
Rental income from subleasing	**41,800**	70,856
Direct operating expenses from property that generated rental income	**22,620**	32,227

As at 31 December 2020, the Group had no contractual obligations for future repairs and maintenance (2019: nil).

Investment properties with an aggregate carrying value of RMB1,406,600,000 (2019: nil) were pledged for certain bank loans granted to the Group (Note 18) as at 31 December 2020.

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 2020, title certificates of certain investment properties of the Group with carrying value of RMB1,026,810,000 (2019: RMB500,058,000) were in progress of being obtained.

The Group's investment properties are leased to tenants under operating leases with rentals payable monthly in general. There are no variable lease payments that depend on an index or rate.

12 PROPERTIES UNDER DEVELOPMENT

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

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Expected to be completed for sale within one year		
Properties under development for sale	**390,961**	1,126,840
Expected to be completed for sale after more than one year		
Properties under development for sale	**2,405,566**	1,382,146
	2,796,527	2,508,986

All properties under development are located in the PRC are stated at the lower of cost and net realisable value.

Properties under development with an aggregate carrying value of RMB1,561,107,000 (2019: RMB323,643,000) were pledged for certain bank loans granted to the Group as at 31 December 2020.

13 COMPLETED PROPERTIES HELD FOR SALE

All completed properties held for sale are located in the PRC are stated at the lower of cost and net realisable value.

Completed properties held for sale with an aggregate carrying value of RMB433,304,000 (2019: RMB1,668,741,000) were pledged for certain bank loans granted to the Group as at 31 December 2020.

14 INVENTORIES

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Raw materials	**1,397**	1,227
Work in progress	**4,645**	8,579
Finished goods	**65,498**	60,214
	71,540	70,020

15 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current portion		
Trade receivables	**942,519**	682,246
Notes receivables	**24,586**	18,761
Deposits receivable	**21,617**	27,028
Consideration receivable on disposal of an associate	**22,820**	44,000
Loans to related parties	**—**	35,939
Other amounts due from related parties	**20,762**	4,337
Loans to third parties	**569,350**	694,342
Prepayments for construction cost and raw materials	**117,356**	138,700
Prepaid turnover tax and other taxes	**119,945**	50,086
Others	**181,914**	198,726
Less: allowance provisions	**(83,876)**	(37,095)
	1,936,993	1,857,070
Non-current portion		
Loans to a third party	**74**	80
Loans to related parties	**4,275**	4,549
Receivables from finance leases	**50,367**	77,738
Trade receivables	**325,877**	—
	380,593	82,367
Total	**2,317,586**	1,939,437

The non-current trade receivables are due and payable within eight years from the end of the reporting period.

(a) Trade receivable are generally due within 1 to 3 months from the date of billing. The non-current trade receivables are due and payable within eight years from the end of the reporting period. As at 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	
	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**246,908**	270,920
1 to 3 months	**195,187**	106,729
3 to 6 months	**66,386**	26,214
Over 6 months	**759,915**	278,383
	1,268,396	682,246

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 increased by a further RMB16,947,000 to RMB38,803,000 for trade receivables. The loss allowance increased by RMB29,834,000 to RMB45,073,000 for other receivables during the current reporting period.

As at 31 December 2019 and 2020, the fair value of trade and other receivables approximated their carrying amounts.

16 TRADE AND OTHER PAYABLES

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade creditors and bills payable	**2,243,560**	2,316,401
Construction guaranteed deposits payable	**153,145**	189,549
Accrued payroll	**61,382**	59,529
Interests payable	**40,085**	33,174
Loans due to a third party	**269,445**	269,445
Loans due to a related party	**—**	40,000
Other amounts due to related parties	**92,094**	95,233
Other payables and accruals	**411,642**	459,459
Interest payable to related parties	**7,777**	—
Total	**3,279,130**	3,462,790

As at 31 December 2020, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**1,230,706**	1,450,333
1 to 12 months	**581,654**	696,094
Over 12 months	**431,200**	169,974
	2,243,560	2,316,401

As at 31 December 2019 and 2020, the fair value of trade and other payables approximated their carrying amounts.

17 CORPORATE BONDS

	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**1,280,239**	1,864,924
Net proceeds from bonds issued	**1,300,000**	450,000
Interest expenses	**72,838**	184,496
Principal paid during the year	**(1,250,000)**	(1,100,000)
Coupon interest paid	**(68,576)**	(119,181)
As at 31 December	**1,334,501**	1,280,239
Representing:		
Current portion	**1,334,501**	1,280,239

In April 2020, the Group issued short-term notes with maturity of 270 days with face value of RMB500,000,000 bearing annual interest rate of 5.30%. 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 was 5.30%. As at 31 December 2020, interest payable for this note amounted to approximately RMB18,918,000.

In August 2020, the Group issued short-term notes with maturity of 270 days with face value of RMB500,000,000 bearing annual interest rate of 5.50%. The actual proceeds received by the Group was approximately RMB499,250,000. 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 5.50%. As at 31 December 2020, interest payable for this note amounted to approximately RMB10,771,000.

In September 2020, the Group issued short-term notes with maturity of 270 days with face value of RMB300,000,000 bearing annual interest rate of 5.50%. The actual proceeds received by the Group was approximately RMB299,550,000. 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 5.50%. As at 31 December 2020, interest payable for this note amounted to approximately RMB4,812,000.

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 5.30% to 5.50% (2019: 5.83% to 6.74%) and are within level 2 of the fair value hierarchy.

18 BANK AND OTHER BORROWINGS

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current		
Secured		
— Bank and other borrowings	**365,000**	—
— Current portion of non-current bank and other borrowings	**905,030**	707,400
	1,270,030	707,400
Unsecured		
— Bank and other borrowings	**1,768,000**	966,500
— Current portion of non-current bank and other borrowings	**23,320**	237,561
	1,791,320	1,204,061
	3,061,350	1,911,461

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Non-current		
Secured		
— Bank and other borrowings	**1,958,336**	2,245,439
Less: Current portion of non-current bank and other borrowings	**(905,030)**	(707,400)
	1,053,306	1,538,039
Unsecured		
— Bank and other borrowings	**184,359**	237,561
Less: Current portion of non-current bank and other borrowings	**(23,320)**	(237,561)
	161,039	—
	1,214,345	1,538,039

The bank and other borrowings bear interest ranging from 2.50% to 6.30% per annum for year ended 31 December 2020 (2019: from 2.15% to 6.90%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year or on demand	**3,061,350**	1,911,461
After 1 year but within 2 years	**471,276**	922,524
After 2 years but within 5 years	**448,006**	453,015
After 5 years	**295,063**	162,500
	4,275,695	3,449,500

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

	At 31 December	
	2020	2019
	RMB'000	*RMB'000*
Completed properties held for sale *(Note 13)*	**433,304**	1,668,741
Properties under development *(Note 12)*	**1,561,107**	323,643
Investment properties *(Note 11)*	**1,406,600**	—
Restricted cash	**27,202**	153,225
	3,428,213	2,145,609

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 5.12% (2019: 5.27%) 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 2020, none of the covenants relating to drawn down facilities had been breached (2019: nil).

19 SHARE CAPITAL AND TREASURY SHARES

Movements of the Company's ordinary shares are set out below:

	At 31 December 2020			At 31 December 2019		
	No. of Shares		**Treasury shares**	No. of Shares		Treasury shares
	('000)	***RMB'000***	***RMB'000***	*('000)*	*RMB'000*	*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	**7,574,352**	**623,048**	**(121,056)**	7,618,212	626,839	(132,417)
Shares repurchased for cancellation purpose *(a)*	**—**	**—**	**—**	—	—	(4,400)
Shares cancelled *(a)*	**—**	**—**	**—**	(43,860)	(3,791)	15,761
At the end of the year	**7,574,352**	**623,048**	**(121,056)**	7,574,352	623,048	(121,056)

(a) During the year ended 31 December 2020, movement of the Company's treasury shares are analysed as follows:

	Shares repurchased for the purpose of		
	Share award	**Cancellation**	**Total**
	('000)	*('000)*	*('000)*
Year ended 31 December 2019			
Opening No. of shares	152,998	31,836	184,834
Repurchased	—	12,024	12,024
Cancelled	—	(43,860)	(43,860)
Closing No. of shares	152,998	—	152,998
Year ended 31 December 2020			
Opening No. of shares	**152,998**	**—**	**152,998**
Closing No. of shares	**152,998**	**—**	**152,998**

20 DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Ordinary shares		
Final dividend for the year ended 31 December 2019 of HK$2.50 cents per fully paid share (2018: HK$2.50 cents)	**168,318**	166,640
Dividends not recognized at the end of the reporting date		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of HK$2.00 cents per fully paid share (2019: HK$2.50 cents). The aggregate amount of the proposed dividend expected to be paid in October 2021 out of share premium account of the Company at 31 December 2020, but not recognized as a liability at year end, is	**126,900**	172,474

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2020, in response to the challenges of the epidemic and the complicated economic situation, the Group handled the situation with confidence, been united and deployed all available people and resources, resumed work and production, accumulated experience in the crisis and aimed to seize new opportunities arising from this everchanging situation. The Group has adhered to its strategy of transforming services based on digitalization while the industrial park development business has made steady progress, improving its quality and efficiency, and enhancing market relevance. The proportion of industrial investment income continues to increase and major breakthroughs have been made in the modularization of integrated operation business. CEOVU has focused on gradually building our industrial resource sharing platform based on the development and operation of industrial parks, with the core force of CEC building the national information security industry and the strategic positioning of the organization platform as its main theme.

Joining Hands with Enterprises in Industrial Parks to Prevent and Contain the Spread of the Epidemic and Overcome Difficulties

In the beginning of 2020, in response to the unexpected outbreak of the COVID-19 pandemic, more than 2,600 employees from Wuhan Lidao Property Management Co., Ltd.* (武漢麗島物業管理有限公司) under the Group were at the frontline of epidemic prevention to protect the 72 projects in the industrial parks and communities from the spread of COVID-19 and to provide support to the First Hospital of Wuhan and the Hongshan Mobile Cabin Hospital during the pandemic. When the epidemic was under control, the Group instantly organised to fully resume work and production, and the Group successively launched two digital park system service platforms, namely, "Park Connect (園區通)" and "Merchants Connect (招商通)", that facilitated work resumption among enterprises in the parks. The Group took the lead in exempting rents and services fees for small and micro-sized enterprises in the industrial parks, and donated money and supplies of approximately RMB32.0 million, aiming to overcome the difficulties with the enterprises in the industrial parks together. Benefiting from the above measures and the entire industrial chain of the industrial park operation services system built by the Group for the enterprises in the industrial parks, over 40 industrial parks across the country were able to achieve higher than average rate of work and production resumption as at April 2020.

Standing Firm on Achieving Operating Goals

In 2020, the Group continued to maintain the business model of the development, operation and industrial investment of the industrial parks, deepened the promotion of transformation and reform and accelerated the development of integrated operation projects. In 2020, the "P+EPC+O" (Planning, Engineering Procurement Construction and Operations) business model was launched and implemented. Based on which, Chengdu Sunshine CEC i-Valley EPC+ Integrated Operation project was entered into which amounted to 15.14 sq.m. and integrated operation services agreements for regional upgrade were entered into with local governments including Shenbei New District, Yichang, Hulan and Chenzhou. Seven new park operation projects were secured during the year. The Group has implemented all-round transformation towards "comprehensive management and professional competence" and achieved a revenue of RMB1,598.0 million from park operation services, which remain stable in scale as compared to that in the same period of 2019.

Upon the conclusion of COVID-19 quarantine, the Group grasped the timely opportunity to initiate the "Intelligent Manufacturing in Wuhan (智造武漢)" project that laid the foundation for the CEOVU Digital Industrial Park Project and CEOVU Manufacturing Center Project in Caidian and Xinzhou. In particular, CEOVU Digital Industrial Park set a new record of realising positive operating cash flow within the year of construction commencement. Such model was promoted nationwide, with a total of four new park development projects secured during the year. Industrial park projects in Chongqing and Mianyang were reserved for strategic purposes. In 2020, the Group has achieved a revenue from industrial park development services of RMB1,450.7 million, and fifteen cities contributed to the Group's industrial park development revenue, which consolidated the cornerstone role of this type of business.

The boosting power of industrial investment business was more significant with profit structure being further optimized. CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership (L.P.) (中電中金（廈門）智能產業股權投資基金) ("**CEC & CICC**"), a principal associate to the Group, and Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) ("**Lingdu Capital**"), a controlled subsidiary of the Group, have established various industry investment funds and completed equity investment in over 60 technology enterprises. In 2020, the Group transferred its 5.33% equity interest in Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) ("**Easylinkin Technology**") and its 7.95% equity interest in Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("**Huada Beidou**") at a consideration of RMB80.0 million and RMB73.6 million, respectively, and recognised other income and gains of RMB40.9 million and RMB25.7 million, respectively, to further realise industrial investment results.

Focusing on Industrial Services, Enhancing Brand Influence

CEOVU has adhered to taking the social value as its foothold and starting point for corporate development strategies. The second Corporate Social Responsibility Report published by the Group was not only granted with four and a half-star (leading) rating, but was also awarded the "Most Socially Responsible Listed Company 2020 (2020年度最具社會責任上市公司)" by Golden Hong Kong Stocks and the honorary title of "Harmonious Enterprise (和諧企業)" by the Wuhan Municipal Government. It has been recognized as an "Enterprise of Excellent Creditworthiness (守合同重信用)" at the national, provincial and municipal levels for twelve consecutive years. CEOVU has also been awarded the "Top 500 Chinese Brands 2020 (2020中國品牌500強)" jointly issued by the Wuhan Municipal People's Government and the China Brand Alliance, and ranked in the second place of the "2020 National Industrial Operators TOP30 (2020 全國產城運營商 TOP30)" by the 4th Annual Gravity Summit. In addition, the Group has held a commemorative event for the 20th anniversary of the Lido brand with the theme of "Passing the torch, to serve and innovate (薪火相傳，服務創雙)", which has received critical acclaim by the general public. The above awards and the successful manifested the affirmation and recognition of CEOVU for its long-term focus on industrial services, continuous transformation and reform, and for fulfilling its social responsibility being a state-owned enterprises.

Operating Results

In 2020, the Group achieved a total revenue of RMB3,048.6 million, reaching 90.3% of the level for the same period in 2019, a profit before tax of RMB816.9 million and a net profit for the year of RMB540.5 million. Equity attributable to owners of the Company increased by 4.1% to RMB6,880.8 million as compared to that in the same period of 2019. Net asset value per share attributable to the parent company reached RMB0.91. The Group's net cash flow from operating activities remained in a positive position in 2020, resulting in a net inflow of RMB98.7 million.

Business Segment Analysis

In 2020, the Group has continued to maintain the business model of the development, operation and industrial investment of the industrial parks. The Group has the following three segments: (i) industrial park development services; (ii) industrial park operation services (including design and construction services, property management services, leasing services, energy services, digital park (apartment) services, incubator and office sharing services, industrial park financial services as well as group catering and hotel services); and (iii) industrial investment (this segment represents industrial-related industry investments business in various theme parks. The income structure and composition of profit in 2020 reflected the strategic effectiveness of the Group's transformation and reform.

Revenue by Business Segments

	For the year ended 31 December			
	2020		2019	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial park development services	**1,450,669**	**47.6**	1,675,080	49.6
Sales of industrial park	**1,450,500**	**47.6**	1,656,060	49.0
Sales of ancillary residentials	**169**	**0**	19,020	0.6
Industrial park operation services	**1,597,949**	**52.4**	1,701,785	50.4
Design and construction services	**440,544**	**14.4**	681,066	20.2
Property management services	**623,435**	**20.4**	542,510	16.1
Industrial park property leasing	**219,326**	**7.2**	206,071	6.1
Energy services	**85,363**	**2.8**	96,231	2.8
Group catering and hotel services	**79,027**	**2.6**	63,953	1.9
Industrial park financial services	**41,442**	**1.4**	42,299	1.3
Others	**108,812**	**3.6**	69,655	2.0
Total	**3,048,618**	**100.0**	3,376,865	100.0

I. *Industrial Park Development Services*

During the Reporting Period, the revenue from the industrial park development business of the Group was RMB1,450.7 million, reaching 86.6% of the level for the same period in 2019. The booked sales was 266,000 sq.m., and continues to play the role of anchor.

1. *Sales of Self-owned Industrial Parks*

During the Reporting Period, the income from the sales of industrial parks of the Group was mainly contributed by three cities, namely Changsha, Hefei, and Xianyang. Among which, the Changsha Information Security Industrial Park (長沙信息安全產業園) has exert full efforts to develop, and became the second national network security industrial park after Beijing and has attracted leading companies such as Hunan Jingwang Zhiying Network Technology Co., Ltd. (湖南競網智贏網絡技術有限公司) and Wondershare Technology Co., Ltd. (萬興科技集團股份有限公司) to enter the industrial park, achieving annual sales revenue of RMB365.0 million, accounting for 25.2% of the revenue from the sales of industrial parks. The industrial ecology of Hefei Financial Port continues to improve, and the concentration of financial enterprises has reached a new level. The annual sales revenue reached RMB312.8 million, accounting for 21.6% of the revenue from the sales of industrial parks and ranked top two in terms of sales and revenue from industrial parks of the Group for two consecutive years. The development of Xianyang Western Zhigu has accelerated and has become a benchmark industrial park for promoting Xixian's electronic information industry cluster and extended our influence nationwide. The annual sales revenue was RMB215.9 million, accounting for 14.9% of the revenue from the sales of industrial parks.

In 2020, 15 cities (with 21 projects) will contribute to the revenue from the sales of industrial parks. This demonstrated that the layout of the Group's industrial parks business in major cities across the country has been widely recognized by the market and our clients, the multi-zone park layout is conducive to lowering the systems risk and ensuring the annual target of the revenue from sales of industrial parks can be achieved.

2. *Development and Completion of Industrial Parks*

With further clarification of the Group's strategic structure, the sustainable growth in revenue is guaranteed. In 2020, the total area of construction commenced in industrial parks was 857,000 sq.m., which increased by 46.5% as compared to that of 585,000 sq.m. in 2019. Completed construction area amounted to 651,000 sq.m., which increased by 83.4% as compared to that of 355,000 sq.m. in 2019. As at the end of 2020, the total area under construction was approximately 1,135,000 sq.m., which laid the foundation for the industrial parks scale business to grow its scale of business steadily during the "14th Five-Year Plan" period, and continues to play the role of anchor for the Group.

3. Land Bank of the Industrial Parks

During the Reporting Period, with the new addition of four industrial park projects in Tianjin and Wuhan, the Group has high-quality land bank of approximately 6,226,000 sq.m. in various cities, including Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Tianjin, Hefei, Shenyang, Luoyang, Xi'an, Wenzhou, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai, and Ningbo at the end of the Reporting Period.

II. Industrial Park Operation Services

At the current stage, the Group has formed fifteen types of 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. In addition to offering a variety of one-stop park operation services to enterprises stationed in the Group's industrial park, the Group integrates the above-mentioned capabilities of business operation to export services, and has developed various portfolios of integrated operation services that take consultation and planning information technology and digital park (apartment) solutions, integrated operation life cycle services, "P+EPC+O", smart facility equipment, investment promotion, dual-innovation services and regional energy management as the entry points, in order to provide integrated operation services for key projects of local government platform companies or large enterprises.

After continuous improvement and optimization, the digital park system has formed a standardized model of "one park dispatching command center, three functional auxiliary platforms, and numerous sustainable development application scenarios (一個園區調度指揮中心、三大功能輔助平台、N個可持續發展應用場景)", which has been chosen as a national-level topic for three consecutive years, including being chosen as the conclusion of the 2018 National Development and Reform Commission Topic - China Electronics Intelligent Industrial Park Platform. The digital park operation system is gradually developing, which now covering 45 parks in 32 cities across the country, and has obtained demonstration application scenarios in national network security bases. During the epidemic, the digital park business department worked day and night, and based on years of foundation, it successively launched 2 digital park system service platforms, namely "Park Connect" (園區通) and "Merchants Connect" (招商通). The Group focuses on industrial park's digital operation capabilities and puts great effort into the National Network Security facilities at Wuhan, based on which intention to cooperate has been reached with Baotou, Chongqing and many other local governments in respect of digital integrated operation services. In the future, the digital industrial park will further integrate digital apartments and smart platform such as OVU Maker Star and CEC Energy Conservation to create a comprehensive information management platform.

During the Reporting Period, the Group has withstand various adverse factors such as long quarantine period during the pandemic, the turnover of the industrial park operation services of the Group amounted to RMB1,598.0 million, reaching 93.9% of the level from the same period in 2019. Among which, revenue from design and construction services reached RMB440.5 million, revenue from property management services reached RMB623.4 million, revenue from industrial parks properties leasing services reached RMB219.3 million and revenue from regional energy, industrial parks finance and other services reached RMB314.8 million. In terms of composition, the revenue from design and construction services, property management services and industrial parks properties leasing services accounted for 80.3% of the revenue from industrial parks operation services, and is currently the major source of revenue of the Group's industrial parks operation services.

Design and Construction Services

An innovative "P+EPC+O" business development model

The "P+EPC+O" model takes planning (P-Planning) as the starting point, with an integrated delivery of design, procurement and construction (EPC-Engineering Procurement Construction) as the foothold, and with professional operations (O-Operations) to cooperate with the investment entities to jointly complete the work of industrial services, a three-in-one structure of the responsible body has been established. "P+EPC+O" is a complete integrated form of comprehensive operation, which guide the early planning and consultation with the ultimate goal of later investment and operation services. Operational service goals were achieved through project planning and design to control and manage the project construction process. The "P+EPC+O" model is conducive to the realization of the strategic philosophy of "starting from the end" and the high-standard delivery structure of being responsible for the results, as well as the realization of the planning goal of "multiple compliance". In response to the business opportunities brought by the "new infrastructure (新基建)" and "urban renewal (城市更新)" schemes implemented by local governments across the country, the Company has vigorously promoted the "P+EPC+O" business model, to upgrade the regional industrial and form a high-quality industrial agglomeration that provide integrated industrial operation services of "operational integration and capability specialization (運營綜合化、能力專業化)".

During the Reporting Period, the Group has entered into the Sunshine CEC i-Valley EPC project with Sunshine Life Insurance Corporation Limited (陽光人壽保險股份有限公司) with a gross floor area of 151,400 sq.m. and the project amount of RMB681.3 million, and has entered into a preliminary consultation and planning contract and a post-operation service contract with a terms of 20 years.

During the Reporting Period, the Group's design and construction service income was RMB440.5 million, representing a decrease of 35.3% as compared to the same period of 2019, primarily due to the impact brought by the pandemic, the delay of progress of the Xianyang Qidian Science and Technology City EPC project resulting in a decrease of revenue from EPC project for the year as compared to last year.

Property Management Services

In 2020, the property management system followed the idea of "seeking change in steadiness and progress in change (穩中求變)". While steadily performing services on the park and community properties, the Group facilitated the capacity building and organizational transformation of the property system through integrated operation. With "i-Lido" app (i麗島App); OVU Park Pass* (OVU園區通) and EMS Integrated Operation Platform and through the digital capacity building of industrial parks and community, the Group strives to develop a professional property service system with integrated operation which offers industrial park asset operation and value-added services, in order to provide households and enterprises in the industrial parks with real estate services, infrastructure services, big data services and living facility services. Meanwhile, the Group actively integrates its resources and owns Wuhan Lido Property Management Co., Ltd. (武漢麗島物業管理有限公司), China Electronics Domainblue Smart Engineering (Wuhan) Co., Ltd.* (中電藍域智能工程(武漢)有限公司), Wuhan ChuWei Defense Security Services Co., Ltd.* (武漢楚衛防線保安服務有限公司), Lido Real Estate Agency, Lido Human Resources, Lixiang Life (麗享生活) and other whole-industry-chain property service systems to provide consulting and early intervention services for the development and construction companies, intelligent operation and asset management services for industrial parks, and professional support services for other property management companies. Last but not least, it also provides property owners with all-around and one-stop property management services.

During the Reporting Period, the income from the property management services of the Group was RMB623.4 million, representing an increase of 14.9% as compared to the same period in 2019. The area covered by the property management services reached 22,770,000 sq.m., of which the area covered by public property management services such as industrial parks accounted for 63.4%. In 2020, the Group had 22 new contracted projects and 2,140,000 sq.m. of new property service areas as the Group had continuously won bids on providing property services to office building projects outside the Group's properties, which includes governments, schools, art galleries, office buildings of large corporates, rail transit, and multi-city mobile business offices with its smart service system. In the future, the Group will continue to promote the community management model of intelligent industrial parks and intelligent communities. At the same time, the revenue of property management services is expected to grow rapidly.

Industrial Park Properties Leasing

During the Reporting Period, benefiting from the Group's comprehensive park integrated operation service model, the Group's industrial parks have achieved remarkable results in resuming work and production, and the leasing business of the industrial parks has also demonstrated an upward trend in such challenging environment. The revenue from industrial park properties leasing was RMB219.3 million, with a growth of 6.4% as compared to the same period in 2019.

1. Self-owned property leasing

   During the Reporting Period, the Group has cooperated with local Investment Promotion Bureau in the Qingdao project, and signed a leasing contract with a contracting amount reaching RMB167 million, and a total area of approximately 20,000 sq.m. and a lease term of 10 years with Shandong Kexin Information Technology Co., Ltd. (山東科訊信息科技有限公司) (a subsidiary of iFlytek Co., Ltd. (科大訊飛股份有限公司)). The project has become the "No.1 Project (一號工程)" of Qingdao West Coast New Area in promoting industrial upgrading and exploring digital transformation of technology enterprises. During the year, a contract was signed with Wuhan Jingchen Smart Logo Technology Co., Ltd.* (武漢精臣智慧標識科技有限公司) for No.5 Studio for the Wuhan Creative World Capital Project, with the contracting amount reaching RMB45.7 million, and a total area of 6,000 sq.m. and a lease term of 8.5 years. The area of the self-owned high-quality properties of the Group reached 435,000 sq.m., with an occupancy rate of over 80%, which will provide a stable cash flow for the Group, enhancing the model of business solicitation services for industrial parks and thus improving the image of our brand and lay the foundation for the Group's sustainable development.

2. Incubator and Office Sharing Services

The Group has actively followed the national strategy and the general trend of "Twin engines of mass entrepreneurship and innovation (大眾創業、萬眾創新)" to promote transformation and reform. The Group has further promoted the business model of incubators and co-working spaces with the foundation of integrated operation life cycle services, the Group has developed an industrial resource sharing platform of "stated-owned enterprises during coordinated innovation of all other enterprises (央企帶動，大中小微企業聯合創新)". During the Reporting Period, Wuhan OVU Technology Co., Ltd.* (武漢歐微優科技有限公司), a controlling subsidiary of the Group, has adjusted its business strategy to reduce the number of its leased sites, and has actively requested rent concessions from landlords to the enterprises of its site, and achieved an operating revenue of RMB72.1 million, being the first time to turn losses into profit. The Group's incubator and office sharing business have performed well even under the impact of the epidemic, and will unveil even greater potential in the future.

OVU Maker Star is operating 38 sites with a total area of 500,000 sq.m. for innovation and entrepreneurship in 21 innovative cities across the country including Beijing, Shanghai, Shenzhen, Wuhan, Chengdu, Xi'an, Changsha, Hefei and etc. It invited over 150 service providers from different sectors such as human resources, legal, financial, marketing and promotion etc., and supported over 1,500 innovation teams and start-ups including Meituan Bike, Qihoo 360, HP China, Bilibili, Easylinkin Technology, Yuanfudao and Huohua Siwei. It gathered over 80,000 innovative businessmen and entrepreneurs. For the year ended 31 December 2020, OVU Maker Star has received over 60 qualifications for its site operations including one demonstration base, six incubators, 11 co-working spaces and one advertising incubating platform that are up to national standard; eight incubators and 10 co-working spaces that are up to provincial standard; as well as two incubators and five co-working spaces that are up to municipal standard. It was awarded over 40 awards from institutions including the National Development and Reform Commission ("**NDRC**"), Torch High Technology Industry Development Center of the Ministry of Science and Technology, China Innovation and Entrepreneurship Trading Office and China Association for Science and Technology Enterprise Service Center. The digital space management platform self-developed by OVU Maker Star was recognized by the NDRC as a significant project of national level dual innovation demonstration base as an office incubator for emerging industries which fully supports new working trends including mobile working and cross-city resource sharing.

Energy Services

Due to the long period of quarantine during the epidemic, income from the heat supply season in 2020 has dropped significantly year-on-year. CEC Energy Conservation has expanded its operation area of the energy service business system which adopted intelligent control system ("**DHC**") to innovate its energy business model, and has also expanded the scales of its three business: intelligence and intelligent control. Important energy services projects newly added during the year including Shanghai CEC Information Harbour* (上海中電信息港), Chengdu Chip Valley* (成都芯谷), Donghu Laboratory* (東湖實驗室), Qiaofang Project* (礄房項目), Xuancheng Hospital* (宣城醫院), and Chongqing Shaqu Hospital* (重慶沙區醫院). The newly contracted area was approximately 4 million square meters. During the Reporting Period, the income from energy services of the Group was RMB85.4 million, which represents a decrease of 11.3% as compared to 2019.

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**", a subsidiary of the Group) gradually established DHC as its core business with mechatronics engineering, EMC, and specialised pipelines as its feature. For the year ended 31 December 2020, CEC Energy Conservation had twenty-six utility models, fourteen invention patents and five 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 essentially completed. In order to facilitate the development of the project, three regional companies were established in Hefei, Wuhan and Shanghai. In the next two to three years, the accumulated operating service area of CEC Energy Conservation is expected to exceed 10,000,000 sq.m.

Group Catering and Hotel Services

Wuhan Quanpai Catering Management Co., Ltd.* (全派餐飲管理有限公司) ("**Quanpai Catering**") has been established for nine years and is experienced in group catering management. It offers catering services that cover three major service models, namely contractual operation, technical support and operation and entrusted management, to serve various large-scale industrial parks, higher education institutions, enterprises and public institutions, hospitals etc. At the current stage, the Group provides catering service for more than 180,000 people every day. During the epidemic, Quanpai Catering was at the frontline of the canteen at the First Hospital of Wuhan, providing a total of nearly 150,000 meals, and was awarded "Outstanding Contributing Company of the City to the Support to Epidemic Prevention and Control". It has continuously expanded the market on top of the solid foundation laid. At present, Quanpai Catering has thirty-six market projects, among which seven were new during the Reporting Period.

Adhering to its positioning as an art boutique hotel, Wuhan Ziyuan Hotel tapped the potential, lowered the cost and enhanced the efficiency under the premise of focusing on its brand effect.

In 2020, the revenue from group catering and hotel services reached RMB79.0 million, representing an increase of 23.6% as compared to that of 2019.

Industrial Park Financial Services

In 2020, the revenue from industrial park financial services amounted to RMB41.4 million, which is remained the same as compared to that of 2019. The controlled subsidiary of the Group, Hubei Zhongchuang Financing Guarantee Co., Ltd.* (湖北中創融資擔保有限公司) provided comprehensive financial services for micro-small-medium enterprises in the park, and has achieved practical results in collaboration with the Group's operation business. In 2020, 30 financing service transactions with an aggregate amount of RMB260.8 million were entered into, which recorded a revenue of RMB14.9 million. Various businesses achieved zero overdue throughout the year.

III. Industrial Investment

Easylinkin Technology, a company under Wuhan Optics Valley United Group Ltd. and wholly invested by OVU Fund, is the leading low-power integrated service provider of wide-area Internet of Things, forming an influential low-power wide-area Internet industry chain in China. Easylinkin Technology has completed its business transformation during the Reporting Period, and has launched the LinkOS system that built an industrial alliance composed of more than 400 enterprises. In 2017, Easylinkin Technology obtained the A-round financing led by IDG Capital and completed the B-round financing led by China Growth Capital (華創資本) in 2018. In 2019, a 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, was completed. During the Reporting Period, the Group transferred 5.33% equity interest of Easylinkin Technology to CEC & CICC with the then valuation of the entire equity interest in Easylinkin Technology in the amount of RMB1.5 billion and realised investment amounted to RMB80.0 million. Upon completion, the Group still holds 16.2% equity interest in Easylinkin Technology.

Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("**Huada Beidou**", 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 System On 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, receiving wide market attention. During the Reporting Period, Huada Beidou has completed the A+ round financing with a post-investment valuation of RMB1.2 billion. At the same time, the Group, Qixin and Xinyin Yihao has completed the transfer of 7.95% equity interest of Huada Beidou, at a consideration of RMB73.6 million. Upon completion, the Group still holds 17.86% equity interest of Huada Beidou. After the Reporting Period, the Group transferred 4.33% of the equity interest in Bosch (Shanghai) Venture Capital Co., Ltd. (博世（上海）創業投資有限公司) ("**Bosch**") with the then valuation of the entire equity interest in Bosch in the amount of RMB1.5 billion and realised investment amounted to RMB65.0 million.

For the year ended 31 December 2020, 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. During the Reporting Period, Lingdu Capital has completed the establishment of a market-oriented fund of RMB700 million for Qingdao Guorui Xinfukesi Investment Fund (青島國瑞新福克斯投資基金) and Qingdao Blackstone Maidike Health Industry Investment Fund (青島黑石麥迪克健康產業投資基金) and the investment of RMB66.5 million in four projects (namely, Shiyou Technology (視游互動), Green Network (綠色網絡), CHEANDA (車安達) and Yfun Inc). For the year ending 31 December 2020, the scale of industrial funds managed by Lingdu Capital exceeded RMB1,300.0 million. To build an industrial ecosystem featuring information technology application innovation and network security, digital cities, smart hardware, military-civilian integration, and network audio-visual.

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 the fund of CEC & CICC. CEC & CICC, with a total fund scale amounting to RMB5,000.0 million, focuses on the value chain of advanced manufacturing industries related to semiconductors and electronics, and is complementary to its investment portfolio in small and medium sized innovative technology companies. The investments in the six projects including BYD Semiconductor Co., Ltd. (比亞迪半導體股份有限公司), Xizhong Electronics (熙重電子), and iVTouch (維業達觸控科技) have been completed in 2020.

The driving force of the industrial investment business has become more prominent, and its profit structure has been further optimized.

OUTLOOK OF 2021

2021 marks the beginning of the 14th Five-Year Plan, and it is also crucial for the Group to establish a strategic landscape of "One Body Two Wings (一體兩翼)", with "park operation as the main body, park development as the backbone and industrial investment as the driving force". The Group will continue to adhere to the concept of "One City One Measure" (一城一法) and systematically promote platform development, cultural development and collaborative synergy. Guided by the methodology of "Systematic Planning (系統規劃)" and "Integrated Operation (綜合運營)", the Group will be a market benchmark and will play a leading role in consolidating the industrial park development business. The Group will also solidly implement the "P+EPC+O" business model, carrying forward the city's spirit of combating the COVID-19 epidemic, and working toward our annual business goals with the attitude of "treating campaign as a decisive battle and commence at full speed (開展即決戰、起跑即衝刺)", striving to achieve a 20% to 30% growth in all major operation goals based on the foundation we have built in 2020.

Group Strategies

Resolutely Implement the Development Strategy of CEC regarding the Acceleration of the Creation of the National Network Information Core Force and Organizational Platform

CEC, being the national leader of the network safety and informatisation industry, has implemented the "Digital China (數字中國)" and "One Hundred Cities, Ten Thousand Enterprises (百城萬企)" plans through building a Pivotal Container Service (PKS) industry ecosystem. The Group is committed to building an "innovation ecology (創新生態)" and an industrial resource sharing platform based on the above strategic goals of CEC. The Group will actively participate in the network information innovation projects of CEC and assist in the construction of Digital China. In respond to the needs of local governments for industrial upgrade and innovative development, the Group will actively connect, advance the layout, and implement modern digital city business via our industrial parks, and leveraging on the advantages of the industrial park to explore new paths and power for digital city construction through the promotion and application of the digital park system.

Industrial Park Operation Business Focusing on "Expansion"

In 2021, the Group will strive to achieve the addition of more than five "P+EPC+O" projects to commence construction, achieving major breakthroughs in contract value, and fully implementing our annual revenue targets. The Group will also strive to realize the full coverage of the digital system in the current operating parks, by exporting more than ten projects, and completing the digital park system standardization system. The Group will enhance its cross-regional talent service capabilities based on its human resources service platform in Qingdao.

Industrial Park Development Business Based on "Excellence"

In 2021, in accordance to the goal of optimizing the national layout, the Company will adhere to the three principles of "prioritize manufacturing projects, strictly control office projects, and in principle not involved in residential projects (製造類項目優先、嚴控辦公類項目、原則上不涉足住宅類項目)", and to manage our land reserve to implement annual cap control. The Group will promote phased land supply for industrial park development projects in Chongqing, Mianyang and Xianyang, and fully implement our "responsive customization (敏捷定制)" operation methods in the manufacturing industrial parks across the country, aiming to improve the effectiveness of our incurring investments service and effectively control our capital risks, adhering to our bottom-line principle of maintaining a positive operating cash flow. The Group will also accelerate the construction of its cross-regional collaborative investment promotion platforms, to give full play of its efficiency and to further improve investment promotion capacity of projects in Qingdao, Hefei, Changsha, Shanghai, Chengdu, Tianjin and Wuhan, and to ensure that the key industrial park development businesses will continue to be a pillar of the Group.

Industrial Investment Business Committed to "Power"

In 2021, the main target of the Group's industrial investment business is to discover unicorns and gazelle enterprises, and to identify no less than five projects to invest in from the PKS ecosystem and projects with strategic supporting value. The Group will also strengthen coordination with its industrial park business, and drive industrial park business to improve the quality of development through industrial investment. Meanwhile, the Group strive to have two to three invested companies achieving listing status, and choose the appropriate time to divest, in order to achieve a positive liquidity.

Optimizing our governance structure to improve our scientific and decision-making capabilities

In 2021, on the basis of the optimization and adjustment of the Company's equity structure, the Company intended to improve the three management systems (i.e. corporate governance system, performance management system and scientific management and control system) by further organize and clarify the management responsibilities and work flows at each level of the Company's management. By continuously enhance the Board's strategic guidance and scientific decision-making role for the Company, our performance appraisal and incentive measures for the management can be effectively strengthen, and maximize the positive effects created by compliance with the corporate governance code.

Financial Review

Revenue

The revenue of the Group is generated from the income from industrial park development services and industrial park operation services. During 2020, the revenue of the Group was RMB3,048.6 million, which decreased by RMB328.2 million, reaching 90.3% of the level for the same period in 2019.

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

	For the year ended 31 December			
	2020		2019	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial parks development services	**1,450,669**	**47.6**	1,675,080	49.6
Sales of industrial park	**1,450,500**	**47.6**	1,656,060	49.0
Sales of ancillary residentials	**169**	**0**	19,020	0.6
Industrial park operation services	**1,597,949**	**52.4**	1,701,785	50.4
Design and construction services	**440,544**	**14.4**	681,066	20.2
Property management services	**623,435**	**20.4**	542,510	16.1
Industrial park properties leasing	**219,326**	**7.2**	206,071	6.1
Energy services	**85,363**	**2.8**	96,231	2.8
Group catering and hotel services	**79,027**	**2.6**	63,953	1.9
Industrial park financial services	**41,442**	**1.4**	42,299	1.3
Others	**108,812**	**3.6**	69,655	2.0
Total	**3,048,618**	**100.0**	3,376,865	100.0

Industrial Park Development Services

In 2020, the revenue from industrial park development services was RMB1,450.7 million, reaching 86.6% of the level for the same period in 2019. The booked sales was 266,000 sq.m. It is noteworthy that the proportion of income from the sales of industrial park in total revenue decreased from 49.0% in 2019 to 47.6% in 2020, representing a decrease of 1.4%, and continues to play the role of anchor.

Industrial Park Operation Services

In 2020, the Group provided integrated operation services, such as design and construction services, property management services, industrial park properties leasing, energy services, and other services, for key projects of local government platform companies or large enterprises, and offered a variety of one-stop industrial park operation services to enterprises stationed in our industrial parks. The turnover of the industrial park operation services of the Group reached RMB1,598.0 million, reaching 93.9% of the level for the same period in 2019. Among which, revenue from design and construction services reached RMB440.5 million, revenue from property management services reached RMB623.4 million, revenue from industrial park properties leasing services reached RMB219.3 million and revenue from regional energy services, industrial park financial services and other services reached RMB314.8 million. In terms of composition, the income from design and construction services, industrial park properties leasing services and property management services accounted for 80.3% of the income from industrial park operation services, and is the major source of income of 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 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 2020, cost of sales of the Group was RMB2,110.8 million, which decreased by RMB190.8 million as compared to the same period of 2019. For the years ended 31 December 2019 and 2020, cost of sales of the Group accounted for approximately 68.2% and 69.2% of the Group's revenue, respectively.

Cost of Sales of Industrial Parks

Cost of sales of industrial parks consisted primarily of costs incurred directly from 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 2020, the cost of properties sold of the Group was RMB824.1 million, which decreased by RMB133.4 million as compared to the same period of 2019. For the years ended 31 December 2019 and 2020, cost of properties sold of the Group accounted for 41.6% and 39.0% of its total cost of sales, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during 2020, overall gross profit of the Group was RMB937.8 million, which decreased by RMB137.5 million as compared to the same period of 2019. Overall gross profit margin was 30.8%, decreased by 1.0% as compared to 31.8% of last year.

Other Income and Gains/(Losses) – Net

During 2020, other income and gains, net of the Group was RMB268.2 million, representing a decrease of RMB6.9 million as compared to the same period of 2019, primarily due to the recognition of various government subsidies of RMB121.3 million, the fair value gain of RMB44.0 million resulting from the investment of Easylinkin Technology; the gains of RMB46.1 million from disposal of partial interests of Huada Beidou and Hainan Nanhaiyun Holdings Co., Ltd.;* (海南南海雲控股股份有限公司); and also the consideration amounting to RMB40.9 million from the disposals 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 2020, selling and distribution expenses of the Group was RMB113.6 million, which decreased by RMB3.3 million as compared to the same period of 2019. For the years ended 31 December 2019 and 2020, selling and distribution expenses of the Group accounted for approximately 3.5% and 3.7% 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 2020, administrative expenses of the Group was RMB310.3 million, which decreased by RMB24.9 million as compared to the same period of 2019, primarily due to the active control of administrative expenses in response to the impact brought by the pandemic to the Group during the period. For the years ended 31 December 2019 and 2020, administrative expenses of the Group accounted for approximately 9.9% and 10.2% of the Group's revenue, respectively, which remained stable.

Fair Value Gains on Investment Properties

During 2020, gains from changes in fair value on the Group's investment properties were RMB85.7 million, which decreased by RMB70.0 million as compared to the same period of 2019, primarily due to: (1) the newly addition of investment properties during the year were mainly properties under construction, which have a relatively small valuation gain; (2) certain investment properties in Hefei, Qingdao and Wuhan were disposed during the year.

Finance Income

During 2020, finance income of the Group was RMB78.3 million, which decreased by RMB23.2 million as compared to the same period of 2019, primarily due to the decrease in entrusted interest income from independent third-party of the Group during the Reporting Period.

Finance Costs

During 2020, finance costs of the Group was RMB240.5 million, which decreased by RMB22.2 million as compared to the same period of 2019, primarily due to the average borrowing cost dropping from 6.0% in 2019 to 5.4% in 2020, resulting from the adjustment of our financing structure.

Share of Profits of Associates

During 2020, the profits of associates shared by the Group was RMB124.8 million, representing an increase of RMB79.5 million as compared to the same period of 2019, primarily consisting of the Group's share of profits from its associates, Hainan Software Community and CEC.

Share of Profits of Joint Ventures

In 2020, the Group had a share of profits of joint ventures of RMB7.5 million, 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 2020, the Group's income tax expense was RMB276.4 million, representing a decrease of RMB86.1 million over the same period of 2019, mainly due to a decrease of RMB58.2 million in the expenditure of LAT, where the effective tax rates of the Group were 37.9% and 33.8% in 2019 and 2020, 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 RMB464.3 million, representing a decrease of RMB104.9 million over the same period of 2019. After deducting the after-tax fair value changes from the investment property of RMB64.3 million, the core net profit attributable to owners of the Company was RMB400.0 million.

Basic Earnings Per Share

The basic earnings per share decreased from RMB7.44 cents in 2019 to RMB6.13 cents in 2020.

FINANCIAL POSITION

Properties under Development

As at 31 December 2020, the carrying amount of the Group's properties under development was RMB2,796.5 million, which increased by RMB287.5 million as compared to that as at 31 December 2019.

Completed Properties Held for Sale

As at 31 December 2020, the carrying amount of completed properties held for sale of the Group was RMB3,198.7 million, which increased by RMB132.2 million as compared to that as at 31 December 2019, the main reason for which is that the increase in the carrying 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 2020, the Group's trade and other receivables was RMB2,317.6 million, which increased by RMB378.1 million as compared to that as at 31 December 2019, representing a ratio to total assets of 11.9%, primarily due to the projects in Xi'an and Hefei, the revenue of which was recognized in phases last year, were completed and filed during 2020, and this part of the accounts receivable was transferred from contract assets to trade and other receivables.

Trade and other Payables

As at 31 December 2020, the Group's trade and other payables was RMB3,279.1 million, which decreased by RMB183.7 million as compared to that as at 31 December 2019, primarily due to the settlement of certain payables for construction work conducted by the Group during the year.

Liquidity, Financial Resources 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 industrial park developments, to 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. For further details of the Group's corporate bonds and borrowings, please refer to notes 17 and 18 to the consolidated financial results of the Group.

In 2020, the Group's net cash inflow from operating activities was RMB98.7 million, which was mainly due to the implementation of our strategies of "responsive customization (敏捷定制)" and organized supply chain financial solutions during the year, adhering to the Group's bottom-line principle of maintaining a positive operating cash flow.

In 2020, the Group's net cash inflow from financing activities was RMB460.1 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.

As at 31 December 2020, the authorized capital of the company was HK$1,000.0 million divided into 10 billion shares of HK$0.10 each. Movements of the Company's ordinary shares are set out in note 19 to the consolidated financial results of the Group.

KEY FINANCIAL RATIOS

Current Ratio

Current ratio of the Group (being total current assets divided by total current liabilities) decreased from 1.51 as at 31 December 2019 to 1.27 as at 31 December 2020. It was primarily due to the Group has, with the supports from various cooperative banks, moderately increase its short-term loans and short-term bonds in the form of credit guarantees in 2020, in order to explore additional financing channels and control its funding costs. 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 (being the rate of the interest-bearing debt less total cash to the sum of total equity and interest-bearing debt multiplied by 100%) increased from 27.1% as at 31 December 2019 to 30.1% as at 31 December 2020. The risk of this ratio is still controllable.

Indebtedness

As at 31 December 2020, the Group's total outstanding indebtedness was RMB5,610.2 million, which have increased by RMB880.5 million as compared to that as at 31 December 2019.

As at 31 December 2020, the Group's unutilized banking facilities amounted to RMB827.0 million and unutilized other borrowings amounted to RMB2,700.0 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 2019 and 31 December 2020, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB520.6 million and RMB876.9 million, respectively. The Group is comprehensively sorting out its contingent liabilities and urging customers to apply for certificates in an orderly manner, in order to release its mortgage guarantee risks in time.

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 RMB11,069.4 million as at 31 December 2020, as compared to RMB11,226.8 million as at 31 December 2019. Our current assets remain stable. As at 31 December 2019 and 31 December 2020, aggregate cash and cash equivalents of the Group amounted to approximately RMB1.653.5 million and RMB2,125.0 million, respectively, representing an increase of RMB471.5 million as compared to that of last year, primarily due to the provisions for debts maturing in early 2021.

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 RMB8,728.2 million as at 31 December 2020, as compared to RMB7,438.3 million as at 31 December 2019.

As at 31 December 2020, the Group had net current assets of approximately RMB2,341.2 million as compared to RMB3,788.5 million as at 31 December 2019. The net current assets of the Group decreased mainly due to the Group has, with the supports from various cooperative banks, moderately increase its short-term loans and short-term bonds in the form of credit guarantees in 2020, in order to explore additional financing channels and control its funding costs.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group decreased by RMB274.2 million from RMB384.2 million in 2019 to RMB110.0 million in 2020. Capital expenditures of the Group were primarily related to expenditure for purchases of property, plant and equipment and purchases of intangible assets. 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.

As at 31 December 2019 and 31 December 2020, the Group's outstanding balances of its commitments related to property development expenditure and investment were RMB1,079.8 million and RMB982.7 million, respectively.

Major investments in financial assets at fair value through profit or loss

The Group invests in certain financial instruments (including short-term and long-term investments). As of 31 December 2020, the total financial assets at fair value through profit and loss were approximately RMB617.1 million (31 December 2019: approximately RMB382.9 million). As of 31 December 2020, the Group did not have any individual major investments with fair value accounting for 5% or more of the Group's total assets.

Material Acquisitions

For the year ended 31 December 2020, the Group did not have any material acquisition of subsidiaries, associates and joint ventures.

Material Disposals

For the year ended 31 December 2020, the Group did not have any material disposals of subsidiaries, associates and joint ventures.

Significant Events After the End of the Year

There are no significant subsequent events occurred that materially affect the Group's financial condition or operation following the Reporting Period and up to the date of this announcement.

Employees

As at 31 December 2020, the Group had 6,545 full-time employees. The employment cost of the Group was approximately RMB541.9 million for the year ended 31 December 2020. 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 2020, the Group had pledged certain of its assets with a total net book value of RMB3,428.2 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, in the normal course of business, is 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/presale 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 RMB5,610.2 million as at 31 December 2020. The Group undertakes debt obligations to support its property development and general working capital needs. The interest rate of interest-bearing liabilities has dropped from 6.0% in 2019 to 5.4% in 2020, and the cost of interest rates has been further effectively controlled.

Foreign Exchange Risk

The Group's functional currency is Renminbi and mostly all of the Group's revenue, expenses, cash, deposits and borrowings 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 operation performance result. 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 Group's exposure to 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 by the Group is sufficient to cover its exposure to potential credit risk. An aging analysis of 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 year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE AWARD SCHEME

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

The purpose of the Share Award Scheme is (i) to recognise the contributions by certain directors, officers and/or employees and to incentivize them in order to retain them for the continuous 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.

In 2016, a trustee was appointed by the Company, who, for the purpose of the Share Award Scheme, purchased a total of 152,998,000 shares in the Company at a total consideration of HK$122,928,380 (equivalent to RMB110,105,000) according to the Share Award Scheme. As at 31 December 2020, 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, save for the followings, the Company has been in strict compliance with the applicable code provisions set forth in the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In order to enable the Group to promptly and effectively make and implement decisions, the Company had not separated the roles of Chairman and President (equivalent to the chairman and chief executive officer as stated in the CG Code), and Mr. Huang Liping had concurrently held these two positions. After considering the overall situation of the Group, the Board has decided to separate the roles of Chairman and President from 26 November 2020, thereby Mr. Liu Guilin has been appointed as the Chairman and Mr. Huang Liping has been appointed as the President, thus fully complying with the requirements of Code Provision A.2.1 of the CG Code. Code provision A.5.1 of the CG Code stipulates that the Nomination Committee should be chaired by the chairman of the board or an independent non-executive Director. Mr. Huang Liping resigned as a co-chairman of the Company due to change in work arrangements, with effect from 26 November 2020. As additional time was required for the Board to identify a suitable candidate to replace Mr. Huang Liping as the chairman of the Nomination Committee, the Company therefore shortly deviated from the requirement of code provision A.5.1 of the CG Code during the year. With effect from 22 December 2020, Mr. Liu Guilin, the chairman of the Company, has been appointed as the chairman of the Nomination Committee of the Company. Since the appointment, the Company has complied with the code provision A.5.1 of the CG Code regarding the composition of the Nomination Committee.

As the Chairman of the Company (appointed on 26 November 2020), Mr. Liu Guilin is responsible for ensuring that the Directors receive adequate information in a timely manner, formulating and following good corporate governance practices, regulating and supervising in accordance with the Company's Articles of Association, advocate the Group to maintain the highest level of integrity, fairness and corporate governance, taking the lead to ensure that all Directors are dedicated to perform their duties and make full and active contribution to the Board's affairs, formulating strategies and policies for the Group and assisting the Group in handling current challenges and opportunities. Mr. Liu Guilin has also took the lead in ensuring that the Board acts in the best interests of the Company, ensuring the strategies and policies agreed by the Board are implemented effectively by the management of the Group, reviewing the performance of the Group according to established goals and objectives, strengthening the development and operation of the Group, and ensuring effective communication with the Shareholders and that their views are communicated to the Board.

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 2020 to the date of this announcement, the change in the information of the Directors of the Company is as follows:

Mr. Qiu Hongsheng resigned as an independent non-executive director from China National Software and Service Co., Ltd. (中國軟件與技術服務股份有限公司) (Stock Code: 600236) (a company listed on the Shenzhen Stock Exchange) in May 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thrереto for the year ended 31 December 2020 have been agreed by PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Accounting Standards Board and consequently, no assurance has been expressed by PwC on this announcement.

REVIEW OF THE 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 three members, namely Mr. Qiu Hongsheng (independent non-executive Director), Mr. Qi Min (independent non-executive Director) and Mr. Xiang Qunxiong (non-executive Director). The Audit Committee has reviewed together with the management the accounting principles and policies adopted by the Group and the audited annual results for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") is expected to be held on 17 June 2021. A notice convening the AGM will be published and despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board proposed to declare a final dividend of HK$2.00 cents (equivalent to approximately RMB1.68 cents) per share of the Company, approximately HK$151.5 million in aggregate (equivalent to approximately RMB126.9 million) for the year ended 31 December 2020 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 2021, subject to approval of the Shareholders at the AGM. The proposed final dividend is expected to be paid to the Shareholders on or before 22 October 2021.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK$1 = RMB0.84 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at thatrate or at any other rate.

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 11 June 2021 to 17 June 2021 (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 share transfer documents 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, not later than 4:30 p.m. on 10 June 2021.

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 2021 to 5 August 2021 (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 share transfer documents 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, not later than 4:30 p.m. on 3 August 2021.

PUBLICATION OF ANNUAL RESULTS AND 2020 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 2020 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.

By order of the Board
China Electronics Optics Valley Union Holding Company Limited
Liu Guilin
Chairman

Hong Kong
26 March 2021

As at the date of this announcement, the directors of the Company are Mr. Liu Guilin, Mr. Xiang Qunxiong, Mr. Zhang Jie and Ms. Sun Ying as non-executive Directors; Mr. Qi Min, Mr. Qiu Hongsheng and Ms. Chan Ching Har Eliza as independent non-executive Directors; Mr. Huang Liping and Mr. Hu Bin as executive Directors.