CEC 中国电子 | OVU 中电光谷
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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 2021

SUMMARY OF 2021 RESULTS

- In 2021, the Group achieved total revenue of RMB4,530.6 million, representing an increase of 48.6% as compared to that of last year. The profit attributable to the owners of the Company for 2021 was RMB640.2 million, representing an increase of 37.9% as compared to that of last year. The Group's significant improvement in results demonstrated the effectiveness of its transformation in the starting year of the "14th Five Year Plan".

- In 2021, the Group has vigorously promoted its methodology of "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 RMB155.7 million in net cash inflow from operating activities. The cash flow from operating activities remained positive for the recent three years.

- In 2021, with the addition of five high-quality industrial park projects in cities such as Chongqing, Mianyang and Nantong, the Group has high-quality land bank of approximately 711.8 million 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 2021, the total bank borrowings and bonds payable of the Group was RMB5,360.1 million, representing a decrease of RMB250.1 million as compared to the end of last year, with the gearing ratio being strictly controlled at approximately 60%. Benefiting from factors such as financing structure adjustment, the average borrowing costs decreased to 5.1% in 2021 as compared to 5.4% in 2020.

- The Group has adhered to its sustainable and stable profit distribution policy. The Board proposes to declare a final dividend of HK$2.50 cents (equivalent to approximately RMB2.03 cents) per Share, amounting to approximately HK$189.4 million in aggregate (equivalent to approximately RMB154.0 million) for the year ended 31 December 2021.

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 2021 ("**Reporting Period**"), together with the comparative figures of the audited consolidated financial results for 2020 as follows.

CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**4,530,568**	3,048,618
Cost of sales	*5*	**(3,232,603)**	(2,110,808)
Gross profit		**1,297,965**	937,810
Other income and gains – net	*4*	**485,272**	268,248
Selling and distribution expenses	*5*	**(129,577)**	(113,638)
Administrative expenses	*5*	**(450,097)**	(310,296)
Net impairment losses on financial and contract assets	*5*	**(76,119)**	(21,117)
Fair value gains on investment properties	*11*	**51,081**	85,726
Operating profit		**1,178,525**	846,733
Finance income	*6*	**77,462**	78,334
Finance costs	*6*	**(271,096)**	(240,484)
Net finance costs		**(193,634)**	(162,150)
Share of profits of associates	*7*	**76,158**	124,818
Share of profits of joint ventures		**23,834**	7,512
Profit before income tax		**1,084,883**	816,913
Income tax expense	*8*	**(472,273)**	(276,445)
Profit for the year		**612,610**	540,468
Profit for the year attributable to:			
— Owners of the Company		**640,203**	464,340
— Non-controlling interests		**(27,593)**	76,128
Profit for the year		**612,610**	540,468
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (RMB cents)	*9*	**8.45**	6.13

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit for the year	**612,610**	540,468
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
— Currency translation differences	**(2,695)**	(23,402)
Other comprehensive income for the year, net of tax	**(2,695)**	(23,402)
Total comprehensive income for the year	**609,915**	517,066
Total comprehensive income for the year is attributable to:		
— Owners of the Company	**637,508**	440,938
— Non-controlling interests	**(27,593)**	76,128
Total comprehensive income for the year	**609,915**	517,066

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
	Note	**2021**	2020
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**426,200**	435,971
Right-of-use assets	*10*	**98,063**	67,478
Investment properties	*11*	**5,091,625**	4,697,854
Intangible assets		**57,442**	57,342
Investments in associates	*7*	**1,963,666**	1,883,044
Investments in joint ventures		**161,956**	190,103
Financial assets at fair value through profit or loss		**693,237**	572,006
Trade and other receivables	*15*	**414,731**	380,593
Deferred income tax assets		**79,927**	72,258
		8,986,847	8,356,649
Current assets			
Properties under development	*12*	**3,904,555**	2,796,527
Completed properties held for sale	*13*	**2,707,251**	3,198,710
Inventories and contracting work-in-progress	*14*	**91,187**	71,540
Trade and other receivables	*15*	**1,941,971**	1,936,993
Current income tax assets		**111,867**	45,919
Financial assets at fair value through profit or loss		**194,974**	45,095
Contract assets		**920,085**	639,670
Deposits in banks with original maturities over three months		**56,300**	21,516
Restricted cash		**237,547**	188,460
Cash and cash equivalents		**2,155,136**	2,124,958
		12,320,873	11,069,388
Current liabilities			
Contract liabilities		**507,875**	382,995
Trade and other payables	*16*	**4,532,253**	3,279,130
Corporate bonds	*17*	**258,097**	1,334,501
Bank and other borrowings	*18*	**3,117,511**	3,061,350
Lease liabilities	*10*	**82,992**	81,518
Current income tax liabilities		**551,338**	526,125
Current portion of deferred income		**77,983**	62,566
		9,128,049	8,728,185
Net current assets		**3,192,824**	2,341,203
Total assets less current liabilities		**12,179,671**	10,697,852

	Note	At 31 December 2021 RMB'000	2020 RMB'000
Non-current liabilities			
Bank and other borrowings	*18*	**1,984,469**	1,214,345
Lease liabilities	*10*	**479,399**	458,148
Deferred income tax liabilities		**508,633**	462,467
Non-current portion of deferred income		**701,847**	563,096
		3,674,348	2,698,056
Net assets		**8,505,323**	7,999,796
Equity			
Share capital	*19*	**623,048**	623,048
Treasury shares	*19*	**(121,056)**	(121,056)
Reserves		**2,947,927**	2,963,354
Retained earnings		**3,941,505**	3,415,452
Total equity attributable to owners of the Company		**7,391,424**	6,880,798
Non-controlling interests		**1,113,899**	1,118,998
Total equity		**8,505,323**	7,999,796
Total equity and non-current liabilities		**12,179,671**	10,697,852

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Compliance with IFRS and HKCO

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

2.1.2 Historical cost convention

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

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 -- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

2.1.4 *New and amended standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods 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
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 37	Onerous contracts – costs of fulfilling a contract	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
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
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). The Group had identified three segments, namely industrial park operation services, industrial park development services and industrial investment.

At 31 December 2021, the Group has the following three segments:

- Industrial park operation services: this segment provides services relating to the construction of a number of office and residential buildings for some of the Group's customers, design and construction service for the certain projects under construction, property management service, energy service, financing service and other services for industrial parks. It also includes leasing park properties to generate rental income and capital gains from the appreciation in the properties' values in the long term.

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

- 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 2021 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 2021

	Industrial park operation services *RMB'000*	Industrial park development services *RMB'000*	Industrial investment *RMB'000*	Total *RMB'000*
Revenue from contracts with customers	**3,219,088**	**2,568,288**	**—**	**5,787,376**
— Recognition at point in time	**114,037**	**2,046,459**	**—**	**2,160,496**
— Recognition over time	**3,105,051**	**521,829**	**—**	**3,626,880**
Revenue from other source				
— Rental income	**343,542**	**—**	**—**	**343,542**
Segment revenue	**3,562,630**	**2,568,288**	**—**	**6,130,918**
Inter-segment revenue	**(1,413,173)**	**(187,177)**	**—**	**(1,600,350)**
Revenue from external customers	**2,149,457**	**2,381,111**	**—**	**4,530,568**
Segment results	**274,947**	**605,372**	**331,741**	**1,212,060**
Depreciation and amortisation	**(56,657)**	**(27,435)**	**(524)**	**(84,616)**

For the year ended 31 December 2020

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

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

	2021	2020
	RMB'000	*RMB'000*
Segment results	**1,212,060**	869,652
Fair value gains on investment properties	**51,081**	85,726
Share of profits of joint ventures	**23,834**	7,512
Share of profits of associates	**76,158**	124,818
Finance income	**77,462**	78,334
Finance costs	**(271,096)**	(240,484)
Depreciation and amortization	**(84,616)**	(108,645)
Income tax expense	**(472,273)**	(276,445)
Profit for the year	**612,610**	540,468

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

	2021	2020
	RMB'000	*RMB'000*
Industrial park operation services		
Design and construction services	**726,704**	440,544
Property management services	**759,455**	623,435
Industrial park property leasing	**290,731**	219,326
Energy services	**120,298**	85,363
Group catering and hotel services	**104,501**	79,027
Others	**147,768**	150,254
	2,149,457	1,597,949
Industrial park development services		
Sales of industrial park and ancillary properties	**2,381,111**	1,450,669
Total	**4,530,568**	3,048,618

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

	2021	2020
	RMB'000	*RMB'000*
Net gain on transfer from investment in an associate to financial assets at fair value through profit or loss	**276,659**	—
Government grants	**117,642**	121,322
Gain from deemed partial disposals	**50,394**	9,919
Gain on partial disposal of associates	**37,433**	36,223
Fair value gains on financial assets at fair value through profit of loss	**6,451**	43,960
Net gain on disposal of property, plant and equipment	**884**	93
Gain on COVID-19-related rent concessions	**—**	9,685
(Loss)/gain on liquidation of subsidiaries	**(224)**	128
Loss on disposal of a joint venture	**(2,899)**	—
(Loss)/gain on disposal of investment properties	**(7,772)**	40,917
Others	**6,704**	6,001
	485,272	268,248

5 EXPENSES BY NATURE

	2021	2020
	RMB'000	*RMB'000*
Cost of properties sold	**1,556,392**	824,087
Employee benefit expenses	**765,126**	541,859
Outsourcing costs for industrial park operation	**660,164**	579,922
Cost of construction services	**594,722**	371,266
Depreciation	**78,356**	104,250
Net impairment losses on financial and contract assets	**76,119**	21,117
Other professional service fees	**33,497**	29,701
Advertising costs	**19,455**	16,889
Amortisation	**6,260**	4,395
Auditors' remuneration		
— Audit services	**2,200**	2,000
— Non-audit services	**1,079**	1,445
Other expenses	**95,026**	58,928
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial and contract assets	**3,888,396**	2,555,859

6 FINANCE INCOME AND COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses of bank and other borrowings	**(355,460)**	(350,459)
Capitalised interest expenses	**118,266**	143,904
Interest expenses on leasing liabilities	**(32,017)**	(32,910)
Net foreign exchange losses	**(1,885)**	(1,019)
Finance costs	**(271,096)**	(240,484)
Interest income from deposits	**63,583**	67,549
Interest income from sublease	**6,158**	5,044
Income from wealth management products	**5,506**	3,509
Interest income from loans provided to related parties	**2,215**	2,232
Finance income	**77,462**	78,334
Net finance costs	**(193,634)**	(162,150)

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 4.05% to 5.70% (2020:4.66% to 5.94%) per annum, and other borrowing costs were capitalised using an average interest rate of 5.14% (2020: 5.43%) per annum.

7 INVESTMENTS IN ASSOCIATES

	2021	2020
	RMB'000	*RMB'000*
At 1 January	**1,883,044**	1,554,483
Additions	**122,670**	277,080
Share of profits	**76,158**	124,818
Gain from deemed partial disposals	**50,394**	9,919
Disposals	**(38,927)**	(83,108)
Transfer to financial assets at fair value through profit or loss	**(129,673)**	—
Others	**—**	(148)
At 31 December	**1,963,666**	1,883,044

List of material associate as at 31 December 2021 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**")	The People's Republic of China ("**PRC**"), limited liability company	PRC, development and management of electronic information technology industrial parks	RMB1,600,000,000	20.00%

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 2021	As at 31 December 2020
	RMB'000	*RMB'000*
Identifiable current assets and liabilities assumed		
Assets	**12,061,268**	11,329,513
Liabilities	**(5,249,311)**	(4,020,125)
Identifiable net current assets	**6,811,957**	7,309,388
Identifiable non-current assets and liabilities assumed		
Assets	**4,525,273**	3,820,909
Liabilities	**(6,197,053)**	(6,093,588)
Identifiable net non-current assets	**(1,671,780)**	(2,272,679)
Identifiable net assets	**5,140,177**	5,036,709
Identifiable net assets attributable to owners of the associate	**5,117,178**	5,004,568
Interest held by the Group	**20%**	20%
Carrying amount	**1,023,436**	1,000,914

8 INCOME TAX EXPENSE

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
PRC Corporate Income Tax ("**CIT**")	**249,039**	162,815
Land Appreciation Tax ("**LAT**")	**161,812**	106,437
Total current tax	**410,851**	269,252
Deferred tax:		
— Origination and reversal of temporary differences	**53,722**	848
— Withholding income tax	**7,700**	6,345
Income tax expense	**472,273**	276,445

(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 2021.

(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 2.5%-15% 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).

	2021	2020
Profit attributable to owners of the Company (RMB'000)	**640,203**	464,340
Weighted average number of ordinary shares in issue (thousands)	**7,574,352**	7,574,352
Basic earnings per share (RMB cents)	**8.45**	6.13

There were no potential dilutive ordinary shares in 2021 and 2020, 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 2021	31 December 2020
	RMB'000	*RMB'000*
Investment properties	**603,054**	562,373
Right-of-use assets		
— Properties	**94,880**	64,225
— Reclassification from land use rights	**3,183**	3,253
	701,117	629,851
Lease liabilities		
Current	**82,992**	81,518
Non-current	**479,399**	458,148
	562,391	539,666

The following table presents the changes of right-of-use assets for the year ended 31 December 2021:

	2021
	RMB'000
Balance at 31 December 2020	**67,478**
Additions	**35,988**
Depreciation/amortisation	**(5,403)**
Closing net book amount	**98,063**

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

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation charge of right-of-use assets		
Properties	**5,333**	8,574
Land use rights	**70**	71
	5,403	8,645
Interest expense (included in finance cost) *(Note 6)*	**(32,017)**	(32,910)
Interest income (included in finance income) *(Note 6)*	**6,158**	5,044

The total cash outflow for leases in 2021 was RMB111,841,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various properties. Rental contracts are typically made for fixed periods of 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

	2021	2020
	RMB'000	*RMB'000*
Opening balance at 1 January	**4,697,854**	3,651,261
Transfer from properties under development and completed properties held for sale	**316,705**	378,166
Transfer from Property, plant and equipment	**6,660**	—
Other additions	**355,438**	673,398
Fair value changes	**51,081**	85,726
Transfer to completed properties held for sale	**(175,942)**	—
Disposals	**(160,171)**	(90,697)
Closing balance at 31 December	**5,091,625**	4,697,854

Amounts recognised in profit and loss for investment properties

	2021	2020
	RMB'000	*RMB'000*
Rental income from self-owned properties	**221,490**	175,365
Rental income from subleasing	**69,241**	41,800
Direct operating expenses from property that generated rental income	**45,709**	22,620

As at 31 December 2021, the Group had no contractual obligations for future repairs and maintenance (2020: nil).

Investment properties with an aggregate carrying value of RMB1,458,660,000 (2020: RMB1,406,600,000) as at 31 December 2021 were pledged for certain bank loans granted to the Group (Note 18).

Investment properties comprise a number of commercial and residential properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1 years to 17 years.

As at 31 December 2021, title certificates of certain investment properties of the Group with carrying value of RMB1,431,570,000 (2020: RMB1,026,810,000) were in progress of being obtained.

The Group's investment properties are leased to tenants under operating leases with rentals payable quarterly 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	
	2021	2020
	RMB'000	*RMB'000*
Expected to be completed for sale within one year		
Properties under development for sale	**1,337,458**	390,961
Expected to be completed for sale after more than one year		
Properties under development for sale	**2,567,097**	2,405,566
	3,904,555	2,796,527

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 RMB3,247,351,000 (2020: RMB1,561,107,000) as at 31 December 2021 were pledged for certain bank loans granted to the Group (Note 18).

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 relisable value.

Completed properties held for sale with an aggregate carrying value of RMB934,840,000 (2020: RMB433,304,000) as at 31 December 2021 were pledged for certain bank loans granted to the Group *(Note 18)*.

14 INVENTORIES

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Raw materials	**2,297**	1,397
Work in progress	**19,477**	4,645
Finished goods	**69,413**	65,498
	91,187	71,540

15 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current portion		
Trade receivables *(a)*	**955,652**	942,519
Loans to third parties	**549,649**	569,350
Prepayments for construction cost and raw materials	**269,684**	117,356
Prepaid turnover tax and other taxes	**140,184**	119,945
Notes receivables	**32,146**	24,586
Deposits receivable	**30,984**	21,617
Loans to related parties	**8,490**	20,762
Consideration receivable on disposal of an associate	**–**	22,820
Others	**112,026**	181,914
	2,098,815	2,020,869
Non-current portion		
Trade receivables *(a)*	**369,774**	325,877
Receivables from finance leases	**40,716**	50,367
Loans to related parties	**4,162**	4,275
Loans to a third party	**79**	74
	414,731	380,593
Less: allowance provisions	**(156,844)**	(83,876)
Total	**2,356,702**	2,317,586

(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 of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**398,980**	246,908
1 to 3 months	**141,165**	195,187
3 to 6 months	**58,710**	66,386
Over 6 months	**726,571**	759,915
	1,325,426	1,268,396

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 RMB36,531,000 to RMB75,334,000 for trade receivables.

The loss allowance increased by RMB36,437,000 to RMB81,510,000 for other receivables during the current reporting period.

As at 31 December 2020 and 2021, the fair value of trade and other receivables approximated their carrying amounts.

16 TRADE AND OTHER PAYABLES

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade creditors and bills payable	**2,684,881**	2,243,560
Loans due to third parties	**631,445**	269,445
Other taxes payables	**203,235**	272,683
Construction guaranteed deposits payable	**187,378**	153,145
Loans due to related parties	**110,579**	92,094
Accrued payroll	**87,496**	61,382
Interests payable	**49,753**	40,085
Interests payable to related parties	**–**	7,777
Other payables and accruals	**577,486**	138,959
Total	**4,532,253**	3,279,130

As at 31 December 2021, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**1,692,998**	1,230,706
1 to 12 months	**500,748**	581,654
Over 12 months	**491,135**	431,200
	2,684,881	2,243,560

As at 31 December 2020 and 2021, the fair value of trade and other payables approximated their carrying amounts.

17 CORPORATE BONDS

	2021	2020
	RMB'000	*RMB'000*
As at 1 January	**1,334,501**	1,280,239
Net proceeds from bonds issued	**350,000**	1,300,000
Interest expenses	**30,911**	72,838
Principal paid during the year	**(1,400,000)**	(1,250,000)
Coupon interest paid	**(57,315)**	(68,576)
As at 31 December	**258,097**	1,334,501
Representing:		
Current portion	**258,097**	1,334,501

In January 2021, the Group issued short-term notes with maturity of 332 days with face value of RMB100,000,000 bearing annual interest rate of 5.60%. The actual proceeds received by the Group was approximately RMB100,000,000. This note is denominated in RMB and issued at par. Interest was payable and principal was repaid when the notes fell due. The annual effective interest rates of this note is 5.60%. As at 31 December 2021, interest payable for this note is nil.

In May 2021, the Group issued short-term notes with maturity of 270 days with face value of RMB250,000,000 bearing annual interest rate of 5.50%. The actual proceeds received by the Group was approximately RMB250,000,000. This note is denominated in RMB and issued at par. Interest was payable and principal was repaid when the notes fell due. The annual effective interest rates of this note is 5.50%. As at 31 December 2021, interest payable for this note amounted to approximately RMB8,097,000.

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 5.50%~5.60%(2020: 5.30%~5.50%) and are within level 2 of the fair value hierarchy.

18 BANK AND OTHER BORROWINGS

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current		
Secured		
— Bank and other borrowings	**681,000**	365,000
— Current portion of non-current bank and other borrowings	**542,482**	905,030
	1,223,482	1,270,030
Unsecured		
— Bank and other borrowings	**1,730,897**	1,768,000
— Current portion of non-current bank and other borrowings	**163,132**	23,320
	1,894,029	1,791,320
	3,117,511	3,061,350

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Non-current		
Secured		
— Bank and other borrowings	**2,233,430**	1,958,336
Less: Current portion of non-current bank and other borrowings	**(542,482)**	(905,030)
	1,690,948	1,053,306
Unsecured		
— Bank and other borrowings	**456,653**	184,359
Less: Current portion of non-current bank and other borrowings	**(163,132)**	(23,320)
	293,521	161,039
	1,984,469	1,214,345

The bank and other borrowings bear interest ranging from 2.50% to 6.00% per annum for year ended 31 December 2021 (2020: from 2.50% to 6.30%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 1 year or on demand	**3,117,511**	3,061,350
After 1 year but within 2 years	**849,980**	471,276
After 2 years but within 5 years	**366,667**	448,006
After 5 years	**767,822**	295,063
	5,101,980	4,275,695

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

	At 31 December	
	2021	2020
	RMB'000	*RMB'000*
Properties under development *(Note 12)*	**3,247,351**	1,561,107
Investment properties *(Note 11)*	**1,458,660**	1,406,600
Completed properties held for sale *(Note 13)*	**934,840**	433,304
Restricted cash	**22,319**	27,202
	5,663,170	3,428,213

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 5.07% (2020: 5.12%) 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 2021, none of the covenants relating to drawn down facilities had been breached (2020: nil).

19 SHARE CAPITAL AND TREASURY SHARES

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

	At 31 December 2021 and 2020		
	No. of Shares		**Treasury shares**
	('000)	***RMB'000***	***RMB'000***
Ordinary shares, issued and fully paid:			
At the end of the year	7,574,352	623,048	(121,056)

(a) During the year ended 31 December 2021 and 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 2021 and 2020			
Opening No. of shares	152,998	–	152,998
Closing No. of shares	152,998	–	152,998

20 DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Ordinary shares		
Final dividend for the year ended 31 December 2020 of HK$2.00 cents per fully paid share (2019: HK$2.50 cents)	**125,633**	168,318
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$2.50 cents per fully paid share (2020: HK$2.00 cents). The aggregate amount of the proposed dividend expected to be paid in August 2022 out of share premium account of the Company at 31 December 2021, but not recognized as a liability at year end, is	**153,950**	126,900

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2021 was the starting year of the "14th Five-Year Plan" and an important year for the Group to enhance its digitalization capability and to achieve high quality development. The Group has been committed in implementing the development strategies of China Electronics Corporation Limited* (中國電子信息產業集團有限公司) ("**CEC**") in accelerating the building of the core power and organizational platform of the national network information industry, enhancing its political position and carrying out in-depth integration into China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司). We have put effort to build a more supportive industrial ecology and optimize the "resource sharing platform" based on industrial services, striving to develop the "One Body Two Wings (一體兩翼)" business layout mainly based on the operational services in the industrial parks, supported by the development of the industrial parks and driven by the investment in the industry. In 2021, the Group entered into new contracts with aggregated contracted value of approximately RMB4,304.0 million, representing an increase of 34.8% as compared to that of last year, and recorded sales collection of RMB4,928.0 million, representing an increase of 49.4% as compared to that of last year.

Building "P+EPC+O" development model

"P+EPC+O" business in the industrial parks is composed of three parts, namely, planning consultation, contracting for design and construction, and attracting customers and operation. In 2021, Group exerted unprecedented efforts to develop integrated operational projects in the industrial parks using "P+EPC+O" as the key model. Eight projects located at Xianyang, Chengdu, Yichang, Ninbo, Chenzhou, Harbin, Huaian and Taiyuan have implemented "EPC" after completion of "P" in an orderly manner, and six projects have been confirmed in 2021.

Fruitful results of the integrated operational business developed through innovation

Led by Wuhan Lidao Property Management Co., Ltd.* (武漢麗島物業管理有限公司) ("**Lidao Property**"), our property management services, including facilities and equipment management and security services, have a scale with an annual production value of RMB1.0 billion. Our innovative business such as Wuhan China Electronics Energy Conservation Co., Ltd* (武漢中電節能有限公司) ("**CEC Energy Conservation**") has upheld the "specialized and innovative" research direction and is constantly extending the development areas, thus hitting a historical high record in terms of the number of contracts of regional energy business obtained, sales collection and profit during the Reporting Period. Driven by Lidao Property and CEC Energy Conservation, the industrial clustering operating model has been formed in the industrial parks of CEOVU, which has boosted the development of the parks and contributed to local economies and the cross-regional economic synergies. Currently, the Group has seven industrial parks across the country which accommodate over 1,000 enterprises and over 10,000 of their employees.

Steady and progressive development of the industrial parks with positive momentum

"Responsive customization (敏捷定制)" has become an important measure to seek opportunities under crisis and start new development under ever-changing condition. Various projects including Wuhan Digital Industrial Park* (武漢數字產業園), Phase II of Xianyang Western Zhigu* (咸陽西部智谷二期), Chongqing Technology City* (重慶科技城) and Mianyang Manufacturing Park* (綿陽製造園) have actively implemented "responsive customization (敏捷定制)", which has showed significant improvement in terms of service efficiency and effectiveness. The effort has facilitated optimization in industrial chain layout of the automobile, electronic information, display industries in the relevant regions, accumulated new experience in the building of development system incorporating innovation chain, industrial chain and supply chain, and more importantly, supported the theory of high quality development of industry parks through new practices. In particular, Phase I of Wuhan Digital Industrial Park has successfully achieved the goal of the "four in-a-year" (to acquire land, commence construction, promote sales and generate cash inflow in the same year) and concluded four elements of "responsive customization (敏捷定制)", i.e. "service design, planning modification, construction implementation and cost reduction and effectiveness increase across all work flows".

Full acceleration of system construction for digital parks, leading to significant increase in digitalization capability

Based on the three aspects of management, operations and services, the Group has created an OVU industrial park connection system integrating IOT, operation and finance. At the management and control level of the Company's headquarters, the management system including administration, human resources, customers and settlements has been built and put into operation. At the operational level, an operational system incorporating planning, costs and assets has been created, and in respect of the service level, a business and facilities service system has been formulated and promoted. According to the strategic management and control needs, the Group has planned various systems for capital management, finance resource sharing, investment attraction, intelligent engineering, big data of costs and industrial services and has made overall planning for our digital center, striving to fully promote the application of OVU industrial park connection system. The digitalized system has covered 50 industrial parks with 4,759 enterprises and 72,101 users.

Equity investment in the industrial parks reaching harvesting stage with considerable improvement in profit structure

The Group's industrial investment business is mainly supported by two fund management companies, 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**") and 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**"), tapping into areas including integrated circuits, information security, internet, big data, intelligent equipment, artificial intelligence. In addition, Round C financing of Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) ("**Huada Beidou**"), a company invested by the Group, completed in December 2021 with a pre-investment valuation of RMB4.0 billion. Wuhan Easylinkin Technology Co., Ltd.* (武漢慧聯無限科技有限公司) ("**Easylinkin Technology**"), a company invested by CEOVU, has completed the Round C+ financing in October 2021 with post investment valuation of RMB1.6 billion. Industrial investment business has become an integral part of the Group's profit structure and an anchor in the corporate transformation. At the same time, the industrial investment business further boosted the development of the regional economy and brought considerable synergies for the attraction of investments into the industrial parks.

Further extending the influence of the industrial park with increasingly strong impact of being a demonstrative model

In 2021, the Group ranked the third place in "Integrated Capability of Industrial Park Operators in the PRC" ("中國產業園區運營商綜合實力"), and the industrial parks developed and operated by the Group, namely Qingdao Optics Valley Software Park, China (Changsha) CEC Software Park and CEOVU Manufacturing Center, have been awarded "2021 Top 10 Golden Parasol Award for Industrial Parks with Integrated Capability of the PRC" ("2021年度中國產業園區金梧桐獎綜合實力10强"), "2021 Top 10 Golden Parasol Award for the Most Beautiful Environment of Industrial Parks of the PRC" ("2021年度中國產業園區金梧桐獎最美空間10强") and Global Business Engine "Annual Best Industrial Park" Award, respectively. Golden Parasol Award has been held for five consecutive years by renowned collaborative digital institute in China and has become an authoritative platform for industrial parks to prove their integrated capabilities. The industrial parks developed and operated by the Group have gained high recognitions from various local governments, demonstrating the increasingly strong impact of being the landmark and model of industrial parks.

Operating Results

In 2021, the Group achieved a total revenue of RMB4,530.6 million, representing an increase of 48.6% as compared to that of 2020, a profit before tax of RMB1,084.9 million and a net profit of RMB612.6 million. Profit attributable to owners of the Company increased by 37.9% to RMB640.2 million as compared to that of 2020. Net asset value per share attributable to the parent company reached RMB0.98. The Group has upheld the concept of maintaining positive cash flow from operating activities and there was a net inflow of RMB155.7 million in 2021. The cash flow from operating activities remained positive for three years.

Business Segment Analysis

In 2021, the Group has established 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 has the following three segments: (i) industrial park operation services (including design and construction services, property management service, industrial park property leasing, energy services, digital park services, incubator and office sharing services, financial services in parks, group catering and hotel services, digital apartment services as well as recreation and entertainment); (ii) industrial park development services (sales of industrial park); (iii) industrial investment (any property investment business relevant to industrial theme parks). In recent years, the income structure and composition of profit reflected the result of the Group's strategic transformation and reform to a certain extent.

Revenue by Business Segments

	For the year ended 31 December			
	2021		2020	
	Revenue *(RMB'000)*	**% of total**	Revenue *(RMB'000)*	% of total
Industrial park operation services	**2,149,457**	**47.4**	1,597,949	52.4
Design and construction services	**726,704**	**16.0**	440,544	14.4
Property management services	**759,455**	**16.7**	623,435	20.4
Industrial park property leasing	**290,731**	**6.4**	219,326	7.2
Energy services	**120,298**	**2.7**	85,363	2.8
Group catering and hotel services	**104,501**	**2.3**	79,027	2.6
Others	**147,768**	**3.3**	150,254	5.0
Industrial park development services	**2,381,111**	**52.6**	1,450,669	47.6
Total	**4,530,568**	**100.0**	3,048,618	100.0

I. 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, 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, attraction of customers, 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. The digital park operation system is gradually developing, which now covers 50 parks in 35 cities across the country and has an accumulated numbers of enterprises and users of 4,759 and 72,101 respectively, and was demonstrated and used in national network security bases. During the Reporting Period, with the digital operational capability of the industrial parks as its core, and building on the network security base in Wuhan, the Group entered into projects for integrated operation of digital industrial parks with the government of Chongqing Changshou High-tech Zone and Baotou Qingshan district government with contract values of RMB63.0 million and RMB18.0 million, respectively, to achieve breakthrough in the external development of the digital industrial park business. In the future, the digital industrial park will further integrate smart platforms such as OVU Maker Star and CEC Energy Conservation to create a comprehensive information management platform.

During the Reporting Period, the turnover of the industrial park operation services of the Group amounted to RMB2,149.5 million, representing an increase of 34.5% as compared to the same period in 2020. Among which, revenue from design and construction services reached RMB726.7 million, revenue from property management services reached RMB759.5 million, revenue from industrial parks properties leasing services reached RMB290.7 million and revenue from regional energy, industrial parks finance and other services reached RMB372.6 million. In terms of composition, the revenue from design and construction services, property management services and industrial parks properties leasing services accounted for 82.7% 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

"P+EPC+O" integrated operational services

The "P+EPC+O" model takes planning (P-Planning) as the starting point, with engineering, 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 result of being responsible for the results, as well as the realization of the planning goal of "multiple compliance". In response to the new 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 industry and form a high-quality industrial cluster that provide integrated industrial operation services that achieve "operational integration and capability specialization (運營綜合化、能力專業化)".

During the Reporting Period, the Group's design and construction service income was RMB726.7 million, representing an increase of 65.0% as compared to the same period of 2020. During the Reporting Period, the Group devoted unprecedented large amount effort to develop the integrated operational project in the industrial parks using "P+EPC+O" as the key model, and formed multiple multi-disciplinary working groups to promote "P+EPC+O" business cooperation with local governments and platform companies in Ningbo, Yichang, Hongze, Hulan and other areas. The Company has entered into preliminary planning (P) type cooperation agreements for multiple projects. In addition, during the Reporting Period, the Group has entered into EPC contract of RMB0.17 billion for Ningbo Binjiang New Town project, EPC contract of RMB0.28 billion for Yichang Jiangnan Innovation and Technology Park project, and is actively promoting the implementation of cooperation agreements of other projects at EPC and other stages.

Property Management Services

In 2021, our property management sector 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 digitalization capacity building of industrial parks and community, the Group strives to develop a professional team 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, infrastructure, big data and living facility services. Meanwhile, the Group actively integrates its resources and owns Lido Property, Domainblue Smart, ChuWei Defense, Lido Real Estate Agency, Lido Human Resources, Lixiang Life and other whole-industry-chain property service systems to provide consulting and early intervention services for the development and construction of 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 RMB759.5 million, representing an increase of 21.8% as compared to the same period in 2020. The area covered by the property management services reached 22.143 million sq.m., of which the area covered by public property management services such as industrial parks accounted for 64.8%. In 2021, the Group had signed 16 new contracted projects with China Three Gorges Corporation, Jiangxia Cainiao Logistic Park, Wuhan Metro Line 11, Hubei Museum and Huaneng Power, etc., with new contract value of RMB52.6 million 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 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, supported by the expanding area of self-operating industrial parks and benefiting from the Group's comprehensive park integrated operation service model, the revenue from industrial park properties leasing was RMB290.7 million, with a growth of 32.6% as compared to the same period in 2020.

1. Self-owned property leasing

During the Reporting Period, the Group owns quality properties with an area of 504,000 sq.m. and an occupancy rate of over 87.0%, which has provided the Group with stable cash flow, improved the model of business solicitation services for the industrial parks and improved brand image, paving a solid foundation for sustainable business development. An operating revenue of RMB221.5 million has been recorded during the Reporting Period.

2. Incubator and office sharing services

The Group has actively followed the national strategy and the general trend 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 driving 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) ("**Wuhan OVU Technology**"), a controlled subsidiary of the Group, has adjusted its business strategy to strengthen marketing effort on the premise of maintaining the existing operating scale so as to eliminate any effect of double reduction policy on OVU Marker Star, to increase occupancy rate and to conduct in-depth analysis of each operating costs and refinement of organizational structure, in order to achieve decrease in both operating costs and research and development costs. In face of the current high vacancy rate in the market and the actual situation of overall economic slowdown, re-negotiation with key parties for some projects has been carried out to maintain steady growth in the overall turnover of Wuhan OVU Technology. The incubator and office sharing services achieved an operating revenue of RMB69.2 million during the Reporting Period.

OVU Maker Star is operating 39 sites with a total area of 0.4 million sq.m. for innovation and entrepreneurship in 23 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 and Easylinkin Technology. It gathered over 80,000 innovative businessmen and entrepreneurs. For the year ended 31 December 2021, OVU Maker Star has received over 50 qualifications for its site operations including 2 demonstration base, 6 incubators, 10 co-working spaces and 1 advertising incubating platform that are up to national standard; 8 incubators and 8 co-working spaces that are up to provincial standard; as well as 2 incubators and 5 co-working spaces that are up to municipal standard. It was awarded over 30 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

Through expanding the scope of operations in intelligent control systems ("**DHC**") and renewable energy business models, and expanding the scale of its intelligence and intelligent controls businesses, during the Reporting Period, CEC Energy Conservation entered into new contracts for energy services projects with People's Hospital of Shapingba District, Chongqing City, People's Hospital of Chizhou, Pizhou Yangguang, with aggregated contract value of RMB286.5 million. During the Reporting Period, the income from energy services of the Group was RMB120.3 million, representing an increase of 40.9% as compared to 2020.

Through years of development and exploration, CEC Energy Conservation gradually established DHC as its core business with mechatronics engineering, EMC energy management contracts, and specialised pipelines as its feature. During the Reporting Period, CEC Energy Conservation has added three utility models, one invention patent and three software copyrights. For the year ended 31 December 2021, CEC Energy Conservation had twenty-nine utility models, fifteen invention patents and eight software copyrights relating to its self-developed energy-saving control system. Research and development for the CEC Energy Conservation's intelligent self-controlled energy-saving system was also essentially completed. Sixteen DHC energy stations have been put into operation with area available for operation of over 3.3 million 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 10 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. With the normalization of the pandemic, Quanpai Catering had launched digitalized applications such as “Cloud Catering Delivery” (雲遞膳) and “Cloud Inspection” (雲巡檢) to facilitate business development. In particular, Quanpai Catering canteen at the First Hospital of Wuhan was awarded “National Nutritious and Healthy Canteen to the Satisfaction of Customers for the Year”. It has continuously expanded the market on top of the solid foundation laid. At present, Quanpai Catering has forty-four market projects, among which eight 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 2021, the revenue from group catering and hotel services reached RMB104.5 million, representing an increase of 32.2% as compared to that of 2020.

II. Industrial Park Development Services

During the Reporting Period, the industrial park development services of the Group has added new contracted area of 458,000 sq.m. with contracted value of RMB3,215.6 million, representing an increase of 36.7% as compared to the level of the same period of 2020. It recorded payment collection of RMB2,751.3 million, representing an increase of 50.8% as compared to the level of the same period of 2020. Revenue from the industrial park development services amounted to RMB2,381.1 million, representing an increase of 64.1% over the level for the same period of 2020. The booked sales areas was 367,000 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 Qingdao, Shanghai and Changsha, among which, Qingdao Optics Valley Union Development Co., Ltd.,* (青島光谷聯合發展有限公司) ("**Qingdao Company**") created a new model of "government-enterprise interaction", integrated resource platforms, and upgraded the investment model. During the Reporting Period, Qingdao Company implemented a governement-and-entreprise cooperation with Qingdao West Coast New Area Ocean Holdings Group Co., Ltd.* (青島西海岸新區海洋控股集團有限公司) ("**Qingdao West Coast**"), a government platform and successfully contracted for the area of 18,000 sq.m. in the first phase of Marine & Science Park with China Ocean Engineering Research Institute* (中國海洋工研究院)", which achieved a sales revenue of RMB388.9 million for the year, accounting for 16.3% of the revenue from the sales of industrial parks. Shanghai CEC Information Harbour* (上海中電信息港) has implemented "responsive customization" in full force and has signed customer customization agreement with Chizhou Jiu Hua Ling Hang Technology Innnovation and Investment Co., Ltd. * (池州九華領航科創投資有限公司) with a contract value of RMB625.1 million, which has achieved sales revenue for the year of RMB388.9 million, accounting for 16.3% of the sales revenue of the industrial parks. The Changsha Information Security Industrial Park* (長沙信息安全產業園) has exerted full effort and became the leading innovative complex in Changsha as the second national network security industrial park after Beijing, leading to an upgrade to the 4.0 version of the industrial landmark in Changsha. During the Reporting Period, 21 new customers including Hunan ChinaSoft Information System Co., Ltd.* (湖南中軟信息系統有限公司) ("**Hunan ChinaSoft**") and Hunan Xieying Technology Co., Ltd.* (湖南攜贏科技有限公司) were stationed in the park, achieving sales revenue of RMB327.3 million, accounting for 13.7% of the revenue from the sales of industrial parks.

In 2021, 14 cities (with 17 projects) contributed 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 ability to achieve sustainable growth in revenue been strengthened consistently. In 2021, the total area of construction commenced in industrial parks was 906,000 sq.m., which increased by 5.7% as compared to that of 857,000 sq.m. in 2020. Completed construction area amounted to 541,000 sq.m., which decreased by 16.9% as compared to that of 651,000 sq.m. in 2020. As at the end of 2021, the total area under construction was approximately 1,502,000 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 5 industrial park projects in Chongqing, Mianyang, Nantong, the Group has high-quality land bank of approximately 7.118 million 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 as at the end of the Reporting Period.

III. Industrial Investment

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 of computer chips, algorithm, module and end products and other related businesses. At the end of 2021, Huada Beidou completed Round C financing with pre-investment valuation of RMB4.0 billion by introducing five investors including China Development Bank Technology Venture Capital Co., Ltd. and Guangdong Li Feng Chuang Xin Venture Investment Cooperation Enterprise (Limited Partnership)* (廣東立豐創芯創業投資合夥企業(有限合夥)). After the completion of such capital injection, the Group's shareholding proportion was adjusted to 9.78%. The accounting treatment of Huada Beidou had changed from long term equity investment to financial asset at fair value, and an aggregate investment income of RMB363.4 million was recognized.

Easylinkin Technology, a company jointly investment by Wuhan Optics Valley United Group Company Limited and OVU Fund (wholly invested by the Group), is a leading integrated service provider of low-power wide-area internet in China, 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 September 2021, Easylinkin Technology completed Round C+ financing with post-investment valuation of RMB1.6 billion. This round of financing introduced seven investors such as Hubei Changjiang Zhao Yin Wen Chuang Equity Investment Fund Cooperation Enterprise (Limited Partnership)* (湖北長江招銀文創股權投資基金合作企業（有限合夥)) ("**Zhao Yin Wen Chuang**"), Shenzhen Capital Group Co., Ltd. ("**Shenzhen Capital Group**") and Shenzhen Han Xing You Xuan Jie Li Investment Cooperation Enterprise (Limited Partnership)* (深圳漢興優選接力投資合作企業(有限合夥). Upon completion of capital injection, the Company's shareholding proportion in Easylinkin Technology was 15.8%.

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. For the year ended 31 December 2021, the scale of industrial funds managed by Lingdu Capital exceeded RMB1,300.0 million, so as to build an industrial ecosystem featuring information technology application innovation and network security, digital cities, smart hardware, military-civilian integration, and network audio-visual. During the Reporting Period, the fund company managed by Lingdu Capital newly invested in Shenzhen Haiyong High-tech Materials Technology Co., Ltd.* (深圳海容新材料科技有限公司), Hubei Zhong'e Feilu Technology Co., Ltd.*(湖北中鄂飛鹿科技有限責任公司) etc.

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 11 projects including Shanghai GTA Semiconductor Co., Ltd.* (上海積塔半導體有限公司), Wasion Electric Co., Ltd.* (威勝電氣有限公司) and Xiamen Sky Semiconductor Technology Co. Ltd.* (廈門雲天半導體科技有限公司), have been completed in 2021.

The industrial investment business has constituted an important part of the profit of CEOVU and has become a strong supporting segment for the transformation of the Company. Meanwhile, the industrial investment business has further boosted the development of the regional economy, generating sound synergies in respect of investment promotion in the industrial parks.

OUTLOOK OF 2022

2022 is a year of acceleration and upgrade of the realization of the planned targets of "14th Five-Year Plan". Led by the core power of the CEC's national network information industry and the strategic objectives of the organizational platform, the Group will uphold the idea of industrial resource sharing, speed up the improvement of the strategic structure of "One Body Two Wings (一體兩翼)", and, by incorporating theory with practice, continue to develop the methodology of "Systematic Planning (系統規劃)", "Integrated Operation (綜合運營)" and "responsive customization" (敏捷定制). It aims at receiving public recognition with the value concept of "customer-oriented" and "striver-based" and the spirit of "honesty and self-discipline", and by using reformation and innovation as basic driving force, strives to enhance the overall coordination capability of the operational management of the headquarters and further stimulate the dynamic of each operational unit, in order to achieve the target of reaching a new level in overall operating performance in 2022.

With "stable foundation, stable efficiency, stable momentum" as our fundamental operating strategies, strictly control gearing ratio and maximizing our efforts in ensuring positive cash flow

In 2022, the Group will continue to ulitilize the industrial park development business as the ballast of the Group's business, and, on top of the five ballasts, namely Qingdao Optics Valley Union Development Co., Ltd.* (青島光谷聯合發展有限公司), Hefei Optics Valley Union Development Co., Ltd.* (合肥光谷聯合發展有限公司), Chengdu Chip Valley Industrial Park Development Co. Ltd.* (成都芯谷產業園發展有限公司), Changsha CEC Industrial Park Development Co., Ltd.* (長沙中電產業園發展有限公司) and Shanghai Huayue Investment and Development Co., Ltd.* (上海華悦投資發展有限公司), two ballasts will be added; and confirm "responsive customization (敏捷定制)" as our grasp of the changing means of industrial park development. After years of condensation, the industrial park operating business will enter a stage of rapid growth and development in 2022, with the second curve effect gradually revealing itself. Indicators such as profit margin, return on equity and internal rate of return will achieve stability and progress favourably.

Further enhancing team dynamics, improving team operating ability, accelerating the strategic value of cross-region collaborative commercial mechanism, establishing long-term advantage in strategic competition

In 2022, the Group will further optimize its emoluments and incentive system and try to operate "partnership system" in one to two projects as pilot projects while expanding the scope of the trial run of "OKR" (Objectives and Key Results); improve team ability by systematic training, exert more effort in appointing young management staff, accelerate the introduction of quality talents, establishing a number of management team in order to adapt to the need of business development of the Group; promote the second stage of the establishment of the cross-region commercial system, establishing cross-region business teams in three cities namely, Wuhan, Shanghai and Shenzhen, further deepening the internal collaboration in the two large regions in the south and the north, constituting the competitive advantage of the Group's long-term strategy.

Promoting "P+EPC+O" development model for the integrated operation of the entire industrial chain

Being the first track for the transformation of integrated operation, "P+EPC+O" focuses on three areas: planning, development center and design institute, southern district and industrial cooperation center, northern district and industrial economic research institute, and accelerates development by using standardized way of organization. In 2022, building on the established construction management and investment promotion work for the integrated operation project, the Group will facilitate growth by using the way of organization with higher effectiveness and further confirm a series of new projects, striving to realize commencement of over 6 "P+EPC+O" projects.

Speeding up integration with digitalization as the core power to form the second track for integrated operation transformation

Using digitalizing as the core power and boosted by the optimized way of organization, the Group will accelerate the transformation of integrated operation by following the second track to build diversified system for effectiveness improvement, pioneering system, internal assessment and settlement system, so as to facilitate segmental effect of "5+5" integrated operation structure, and to generate the core power for industrial chain services through new driving force arising from internal integration.

Financial Review

Revenue

The revenue of the Group is generated from the income from industrial park development services and industrial park operation services. During 2021, the revenue of the Group was RMB4,530.6 million, which increased by 48.6% as compared to RMB3,048.6 million for the same period of 2020.

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

	For the year ended 31 December			
	2021		2020	
	Revenue	**% of total**	Revenue	% of total
	(RMB'000)		*(RMB'000)*	
Industrial park operation services	**2,149,457**	**47.4**	1,597,949	52.4
Design and construction services	**726,704**	**16.0**	440,544	14.4
Property management services	**759,455**	**16.7**	623,435	20.4
Industrial park properties leasing	**290,731**	**6.4**	219,326	7.2
Energy services	**120,298**	**2.7**	85,363	2.8
Group catering and hotel services	**104,501**	**2.3**	79,027	2.6
Others	**147,768**	**3.3**	150,254	5.0
Industrial parks development services	**2,381,111**	**52.6**	1,450,669	47.6
Total	**4,530,568**	**100.0**	3,048,618	100.0

Industrial Park Development Services

In 2021, the revenue from industrial park development services was RMB2,381.1 million, representing an increase of 64.1% as compared to that of last year. The booked sales was 367,000 sq.m. and continues to play the role of anchor.

Industrial Park Operation Services

In 2021, 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 revenue of the industrial park operation services of the Group reached RMB2,149.5 million, representing an increase of 34.5% as compared to the same period of 2020, among which, revenue from design and construction services reached RMB726.7 million, revenue from property management services reached RMB759.5 million, revenue from industrial park properties leasing services reached RMB290.7 million and revenue from regional energy services, industrial park financial services and other services reached RMB372.6 million. In terms of composition, the income from design and construction services, property management services and industrial park properties leasing services accounted for 82.7% 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 2021, cost of sales of the Group was RMB3,232.6 million, which increased by RMB1,121.8 million as compared to the same period of 2020. For the years ended 31 December 2020 and 2021, cost of sales of the Group accounted for approximately 69.2% and 71.4% 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 2021, the cost of properties sold of the Group was RMB1,556.4 million, which increased by RMB732.3 million as compared to the same period of 2020. For the years ended 31 December 2020 and 2021, cost of properties sold of the Group accounted for 39.0% and 48.1% of its total cost of sales, respectively.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during 2021, overall gross profit of the Group was RMB1,298.0 million, which increased by RMB360.2 million as compared to the same period of 2020. The overall gross profit margin for 2021 was 28.6%, as compared to 30.8% of last year, which was reduced by 2.2%.

Other Income and Gains/(Losses) – Net

During 2021, other income and gains, net of the Group was RMB485.3 million, representing an increase of 80.9% as compared to the same period of 2020, primarily due to the recognition of various government subsidies of RMB117.6 million, and the investment gains of RMB363.4 million realised from the disposal of partial interests of Huada Beidou and the transfer of the equity interests in Huada Beidou from long-term equity investment to financial assets held for trading.

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 2021, selling and distribution expenses of the Group was RMB129.6 million, which increased by 14.0% as compared to the same period of 2020. For the years ended 31 December 2020 and 2021, selling and distribution expenses of the Group accounted for approximately 3.7% and 2.9% 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 2021, administrative expenses of the Group was RMB450.1 million, which increased by 45.1% as compared to the same period of 2020. For the year ended 31 December 2021, the administrative expenses of the Group decreased by 0.3 percentage points as compared to the same period of last year and accounted for approximately 9.9% of the Group's revenue.

Fair Value Gains on Investment Properties

During 2021, gains from changes in fair value on the Group's investment properties were RMB51.1 million, which decreased by RMB34.6 million as compared to the same period of 2020, primarily due to: (1) the addition of investment properties during the year were mainly properties under construction, which have a relatively small valuation gain; (2) certain investment properties in Qingdao OVU Marine Information Harbour* (青島光谷國際海洋信息港) and Wuhan Creative Capital* (武漢創意天地) were disposed during the year.

Finance Income

During 2021, finance income of the Group was RMB77.5 million, which decreased by RMB0.9 million as compared to the same period of 2020.

Finance Costs

During 2021, finance costs of the Group was RMB271.1 million, which increased by RMB30.6 million as compared to the same period of 2020, primarily because the relevant interests on borrowings of the relevant projects ceased capitalization upon completion of projects in Xian Industrial Park, Hefei Financial Harbour, Chengdu Chip Valley and Qingdao Innocenter and were transferred to financing costs.

Share of Profits of Associates

During 2021, the profits of associates shared by the Group was RMB76.2 million, mainly comprising the recognition of investment income of the associate CEC& CICC by the Group using the equity method. Such profit represented a decrease of RMB48.7 million as compared to that of the same period of 2020, primarily because of the decreased share of profits of Hainan Software Community.

Share of Profits of Joint Ventures

In 2021, the Group had a share of profits of joint ventures of RMB23.8 million, representing an increase of RMB16.3 million as compared to the same period of 2020, 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 2021, the Group's income tax expense was RMB472.3 million, representing an increase of RMB195.8 million over the same period of 2020, mainly due to an increase in revenue from the industrial park development business and an increase of RMB55.4 million in the expenditure of LAT, where the effective tax rates of the Group were 33.8% and 43.5% in 2020 and 2021, 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 RMB640.2 million, representing an increase of RMB175.9 million over the same period of 2020. After deducting the after-tax fair value changes from the investment property of RMB38.3 million, the core net profit attributable to owners of the Company was RMB601.9 million.

Basic Earnings Per Share

The basic earnings per share increased from RMB6.13 cents in 2020 to RMB8.45 cents in 2021.

FINANCIAL POSITION

Properties under Development

As at 31 December 2021, the carrying amount of the Group's properties under development was RMB3,904.6 million, which increased by RMB1,108.0 million as compared to that as at 31 December 2020.

Completed Properties Held for Sale

As at 31 December 2021, the carrying amount of completed properties held for sale of the Group was RMB2,707.3 million, which decreased by RMB491.5 million as compared to that as at 31 December 2020, the main reason for which is that the increase in the carrying amount of completed projects of the Group during the year was lower than the operating costs carried forward of the properties sold during the year.

Trade and Other Receivables

As at 31 December 2021, the Group's trade and other receivables was RMB2,356.7 million, which increased by RMB39.1 million as compared to that as at 31 December 2020 and representing 11.1% of the total assets.

Trade and other Payables

As at 31 December 2021, the Group's trade and other payables was RMB4,532.3 million, which increased by RMB1,253.1 million as compared to that as at 31 December 2020, primarily due to the increased construction payables as a result of the increased progress in construction.

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 general 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 short-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 2021, the Group's net cash inflow from operating activities was RMB155.7 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, which adhered to the Group's bottom-line principle of maintaining a positive operating cash flow.

In 2021, the Group's net cash outflow from financing activities was RMB430.7 million, which was mainly from the proceeds from the Company's issuance of short-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 2021, the authorized capital of the company was HK$1,000.0 million divided into 10,000,000,000 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

The current ratio of the Group (being total current assets divided by total current liabilities) increased from 1.27 as at 31 December 2020 to 1.35 as at 31 December 2021, which was primarily because, in 2021, the increase in the Group's current assets was higher than the increase in the Group's current liabilities.

Net Gearing Ratio

The net gearing ratio of the Group (being the rate of interest-bearing debt less total cash to the sum of total equity and net interest-bearing debt, and multiplied by 100%) decreased from 30.1% as at 31 December 2020 to 27.2% as at 31 December 2021. The ratio is still within the range of controllable risk.

Indebtedness

As at 31 December 2021, the Group's total outstanding indebtedness was RMB5,360.1 million, which have decreased by RMB250.1 million as compared to that as at 31 December 2020.

As at 31 December 2021, the Group's unutilized banking facilities amounted to RMB1,458.8 million and unutilized other borrowings amounted to RMB3,750.0 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 2020 and 31 December 2021, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB876.9 million and RMB463.4 million, respectively. The Group is comprehensively sorting out its contingent liabilities and urging customers in an orderly manner to apply for property certificates, 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 RMB12,320.9 million as at 31 December 2021, as compared to RMB11,069.4 million as at 31 December 2020. Our current assets remain stable. As at 31 December 2020 and 31 December 2021, aggregate cash and cash equivalents of the Group amounted to RMB2,125.0 million and RMB2,155.1 million, respectively, representing an increase of RMB30.1 million as compared to that of last year, mainly due to the increase of cash flow in the operating activities of the Group.

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 RMB9,128.0 million as at 31 December 2021, as compared to RMB8,728.2 million as at 31 December 2020.

As at 31 December 2021, the Group had net current assets of RMB3,192.8 million as compared to RMB2,341.2 million as at 31 December 2020.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group decreased by RMB62.3 million from RMB110.0 million in 2020 to RMB47.7 million in 2021. 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 2020 and 31 December 2021, the Group's outstanding balances of its commitments related to property development expenditure and investment were RMB982.7 million and RMB885.7 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 2021, the total financial assets at fair value through profit and loss were approximately RMB888.2 million (31 December 2020: approximately RMB617.1 million). As of 31 December 2021, 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 2021, the Group did not have any material acquisition of subsidiaries, associates and joint ventures.

Material Disposals

For the year ended 31 December 2021, 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 2021, the Group had 7,799 full-time employees. The employment cost of the Group was approximately RMB765.1 million for the year ended 31 December 2021. 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 PRC, 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 2021, the Group had pledged certain of its assets with a total net book value of RMB5,663.2 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 RMB5,360.1 million as at 31 December 2021. 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 5.4% in 2020 to 5.1% in 2021, 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 2021, 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.

The Board resolved on 14 December 2021 to extend the Share Award Scheme for five years, which term will expire on 21 December 2026.

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 2021, 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 effective for the year ended 31 December 2021 (the "**CG Code**") as 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. During the Reporting Period, the Company has complied with the principles and code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

CHANGE IN DIRECTOR'S INFORMATION

From 1 January 2021 to the date of this announcement, the change in the information of the Directors of the Company is as follows:

Mr. Hu Bin was re-designated from an executive Director to a non-executive Director and ceased to act as the executive president of the Company with effect from 8 September 2021.

Mr. Qiu Hongsheng resigned as an independent non-executive director of GRINM Advanced Materials Co., Ltd (有研新材股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 6002066) on 30 May 2021, and resigned as an independent non-executive director of AVIC Heavy Machinery Co., Ltd (中航重機股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600765) on 18 September 2021. He resigned as an independent director of Wuhan Dameng Database Co., Ltd. (武漢達夢數據庫股份有限公司) in February 2022. Mr. Qiu Hongsheng was appointed as an independent director of Valiant Co., Ltd. (中節能萬潤股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002643) on 27 April 2021, and was appointed as an independent director of China Greatwall Technology Group CO.,LTD. (a company listed on the Shenzhen Stock Exchange with stock code 000066) on 6 September 2021.

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 thereto for the year ended 31 December 2021 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 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") is expected to be held on 16 June 2022. 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$2.50 cents (equivalent to approximately RMB2.03 cents) per share of the Company, approximately HK$189.4 million in aggregate (equivalent to approximately RMB154.0 million) for the year ended 31 December 2021 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 2022, subject to approval of the Shareholders at the AGM. The proposed final dividend is expected to be paid to the Shareholders on or before 31 August 2022.

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 13 June 2022 to 16 June 2022 (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 2022 to 5 August 2022 (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 2022.

PUBLICATION OF ANNUAL RESULTS AND 2021 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 2021 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
25 March 2022

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

For the purpose of this announcement, unless otherwise indicated, the exchange rate of HK$1 = RMB0.8128 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 that rate or at any other rate.

* *For identification purposes only*