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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 2022

SUMMARY OF 2022 RESULTS

- In 2022, the Group achieved total revenue of RMB5,523.2 million, representing an increase of 21.9% as compared to that of last year. Net cash inflow from operating activities amounted to RMB194.8 million, and the cash flow from operating activities remained positive for four consecutive years.
- In 2022, in respect of industrial landmark, the Group had two new projects of high-quality industrial park, namely Xianyang Phase III (咸陽三期) and Yichang Network Information Industrial Park (宜昌網信園). As of 31 December 2022, the Group had a total of 23 “industrial landmark projects” with prominent regional influence covering 46 cities and 88 industrial parks in aggregate. The Group has high-quality land bank of approximately 6,954,000 sq.m. in various cities, including Chengdu, Changsha, Shanghai, Wuhan and Tianjin.
- With in-depth implementation of the transformation and upgrade, the Group’s strategy to seek definitive and sustainable growth in an uncertain market environment has proved to be successful. In 2022, the Group entered into new contracts with aggregated contracted value of RMB6,345.0 million, representing an increase of 47.4% as compared to that of last year, of which, integrated operation business achieved a breakthrough with new contracts with aggregated contracted value of RMB3,285.0 million, representing an increase of 577.3% as compared to that of last year. There were nine new “P+EPC+O” full process tracking projects.
- 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 2022, bank and other borrowings of the Group was RMB7,068.3 million, with the gearing ratio of 60.3%. Benefiting from factors such as financing structure adjustment, the average borrowing costs decreased to 4.8% in 2022 compared with 5.1% in 2021.
- The Group has adhered to its sustainable and stable profit distribution policy. The Board proposes to declare a final dividend of HK\$2.5 cents (equivalent to approximately RMB2.19 cents) per Share, amounting to approximately HK\$189.4 million in aggregate (equivalent to approximately RMB165.8 million) for the year ended 31 December 2022.

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 2022 (“**Reporting Period**”), together with the comparative figures of the audited consolidated financial results for 2021 as follows.

CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Year ended 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	3	5,523,204	4,530,568
Cost of sales	5	<u>(3,963,445)</u>	<u>(3,232,603)</u>
Gross profit		1,559,759	1,297,965
Other income and gains – net	4	215,757	485,272
Selling and distribution expenses	5	(171,622)	(129,577)
Administrative expenses	5	(432,031)	(450,097)
Net impairment losses on financial and contract assets	5	(103,406)	(76,119)
Fair value gains on investment properties	11	<u>265,793</u>	<u>51,081</u>
Operating profit		1,334,250	1,178,525
Finance income	6	53,691	77,462
Finance costs	6	<u>(290,664)</u>	<u>(271,096)</u>
Net finance costs		(236,973)	(193,634)
Share of (losses)/profits of associates	7	(81,069)	76,158
Share of (losses)/profits of joint ventures		<u>(25,270)</u>	<u>23,834</u>
Profit before income tax		990,938	1,084,883
Income tax expense	8	<u>(468,554)</u>	<u>(472,273)</u>
Profit for the year		<u>522,384</u>	<u>612,610</u>
Profit for the year attributable to:			
— Owners of the Company		536,091	640,203
— Non-controlling interests		<u>(13,707)</u>	<u>(27,593)</u>
Profit for the year		<u>522,384</u>	<u>612,610</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted (RMB cents)	9	<u>7.08</u>	<u>8.45</u>

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	
	2022	2021
	RMB'000	RMB'000
Profit for the year	522,384	612,610
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
– Changes in the fair value of equity investments at fair value through other comprehensive income	12,277	–
Income tax relating to these items	(3,069)	–
– Currency translation differences	<u>(24,687)</u>	<u>(2,695)</u>
Other comprehensive income for the year, net of tax	<u>(15,479)</u>	<u>(2,695)</u>
Total comprehensive income for the year	<u>506,905</u>	<u>609,915</u>
Total comprehensive income for the year is attributable to:		
– Owners of the Company	520,612	637,508
– Non-controlling interests	<u>(13,707)</u>	<u>(27,593)</u>
Total comprehensive income for the year	<u>506,905</u>	<u>609,915</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		471,646	426,200
Right-of-use assets	10	93,945	98,063
Investment properties	11	5,960,733	5,091,625
Intangible assets		53,746	57,442
Investments in associates	7	1,798,126	1,963,666
Investments in joint ventures		138,693	161,956
Financial assets at fair value through profit or loss		718,591	693,237
Financial assets at fair value through other comprehensive income		18,528	—
Trade and other receivables	15	718,024	414,731
Deferred income tax assets		43,276	79,927
		10,015,308	8,986,847
Current assets			
Properties under development	12	3,115,116	3,904,555
Completed properties held for sale	13	3,481,948	2,707,251
Inventories and contracting work-in-progress	14	72,482	91,187
Trade and other receivables	15	2,277,809	1,941,971
Current income tax assets		124,389	111,867
Financial assets at fair value through profit or loss		13,400	194,974
Contract assets		635,824	920,085
Deposits in banks with original maturities over three months		4,050	56,300
Restricted cash		384,997	237,547
Cash and cash equivalents		2,254,209	2,155,136
		12,364,224	12,320,873
Current liabilities			
Contract liabilities		530,576	507,875
Trade and other payables	16	3,346,072	4,532,253
Corporate bonds	17	—	258,097
Bank and other borrowings	18	3,836,854	3,117,511
Lease liabilities	10	90,026	82,992
Current income tax liabilities		807,111	551,338
Current portion of deferred income		70,114	77,983
		8,680,753	9,128,049
Net current assets		3,683,471	3,192,824
Total assets less current liabilities		13,698,779	12,179,671

		At 31 December	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
Non-current liabilities			
Bank and other borrowings	18	3,231,461	1,984,469
Lease liabilities	10	501,331	479,399
Deferred income tax liabilities		458,202	508,633
Non-current portion of deferred income		631,021	701,847
		4,822,015	3,674,348
Net assets		8,876,764	8,505,323
Equity			
Share capital	19	623,048	623,048
Treasury shares	19	(121,056)	(121,056)
Reserves		2,870,664	2,947,927
Retained earnings		4,376,003	3,941,505
Total equity attributable to owners of the Company		7,748,659	7,391,424
Non-controlling interests		1,128,105	1,113,899
Total equity		8,876,764	8,505,323
Total equity and non-current liabilities		13,698,779	12,179,671

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 industrial park operation services, industrial park development services and industrial investment. 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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2023.

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 have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and the disclosure 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, financial assets at fair value through other comprehensive income 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 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020 Cycle
Amendments to AG 5	Merger Accounting for Common Control Combinations

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 2022 reporting period 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
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Insurance Contracts (new standard)	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
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 2022, the Group has the following three segments:

- Industrial park operation services: this segment provides services including design and construction services, property management services, sub-leasing services, 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.
- Industrial park development services: this segment represents the development, sales and rental of industrial parks. During the year, the chief operating decision-maker decided to transfer the rental income from self-developed properties from the segment of industrial park operation services to industrial park development services, to better match the Group's business strategy of industrial park development. The comparative figures of the segment results have been revised accordingly.
- Industrial investment: this segment represents the Group's industrial-related industry investment businesses in various theme parks. The management considers this segment not reportable for the year ended 31 December 2022 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 2022

	Industrial park operation services <i>RMB'000</i>	Industrial park development services <i>RMB'000</i>	Industrial investment <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue from contracts with customers	4,166,662	2,514,577	–	6,681,239
— Recognition at point in time	133,966	1,889,947	–	2,023,913
— Recognition over time	4,032,696	624,630	–	4,657,326
Revenue from other source				
— Rental income	105,483	228,525	–	334,008
Segment revenue	4,272,145	2,743,102	–	7,015,247
Inter-segment revenue	(1,457,309)	(34,734)	–	(1,492,043)
Revenue from external customers	2,814,836	2,708,368	–	5,523,204
Segment results	134,708	1,013,781	237	1,148,726
Depreciation and amortisation	(55,166)	(25,088)	(15)	(80,269)

For the year ended 31 December 2021

	Industrial park operation services <i>RMB'000</i>	Industrial park development services <i>RMB'000</i>	Industrial investment <i>RMB'000</i>	Total <i>RMB'000</i>
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	81,818	261,724	—	343,542
Segment revenue	3,300,906	2,830,012	—	6,130,918
Inter-segment revenue	(1,372,939)	(227,411)	—	(1,600,350)
Revenue from external customers	<u>1,927,967</u>	<u>2,602,601</u>	<u>—</u>	<u>4,530,568</u>
Segment results	<u>116,719</u>	<u>763,600</u>	<u>331,741</u>	<u>1,212,060</u>
Depreciation and amortisation	<u>(56,657)</u>	<u>(27,435)</u>	<u>(524)</u>	<u>(84,616)</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Segment results	1,148,726	1,212,060
Fair value gains on investment properties	265,793	51,081
Share of (losses)/profits of joint ventures	(25,270)	23,834
Share of (losses)/profits of associates	(81,069)	76,158
Finance income	53,691	77,462
Finance costs	(290,664)	(271,096)
Depreciation and amortisation	(80,269)	(84,616)
Income tax expense	<u>(468,554)</u>	<u>(472,273)</u>
Profit for the year	<u>522,384</u>	<u>612,610</u>

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Industrial park operation services		
Property management services	830,902	759,455
Design and construction services	1,316,627	726,704
Sub-leasing services	77,228	69,241
Energy services	176,255	120,298
Group catering and hotel services	126,363	104,501
Others	287,461	147,768
	<u>2,814,836</u>	<u>1,927,967</u>
Industrial park development services		
Sales of industrial park	2,514,577	2,381,111
Self-owned industrial park property leasing	193,791	221,490
	<u>2,708,368</u>	<u>2,602,601</u>
Total	<u>5,523,204</u>	<u>4,530,568</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Government grants	215,344	117,642
Gain on partial disposal of associates	—	37,433
Gain from deemed partial disposals	—	50,394
Net gain on transfer from investment in an associate to financial assets at fair value through profit or loss	—	276,659
Fair value gains on financial assets at fair value through profit of loss	222	6,451
Net gain on disposal of property, plant and equipment	440	884
Gains/(Loss) on liquidation of subsidiaries	53	(224)
Loss on liquidation of a joint venture	(433)	(2,899)
Loss on disposal of investment properties	(5,951)	(7,772)
Gain on disposal of associates	1,817	—
Loss on disposal of subsidiaries	(130)	—
Others	4,395	6,704
	<u>215,757</u>	<u>485,272</u>

5 EXPENSES BY NATURE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of properties sold	1,504,998	1,556,392
Employee benefit expenses	825,591	765,126
Outsourcing costs for industrial park operation	806,913	660,164
Cost of construction services	1,139,812	594,722
Depreciation	72,843	78,356
Net impairment losses on financial and contract assets	103,406	76,119
Other professional service fees	37,119	33,497
Advertising costs	19,177	19,455
Amortisation	7,426	6,260
Auditors' remuneration		
— Audit services	2,200	2,200
— Non-audit services	1,080	1,079
Other expenses	149,939	95,026
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial and contract assets	<u>4,670,504</u>	<u>3,888,396</u>

6 FINANCE INCOME AND COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expenses of bank and other borrowings	(373,704)	(355,460)
Capitalised interest expenses	137,995	118,266
Interest expenses on leasing liabilities	(31,419)	(32,017)
Net foreign exchange losses	(23,536)	(1,885)
Finance costs	(290,664)	(271,096)
Interest income from deposits	27,000	63,583
Interest income from sublease	3,825	6,158
Income from wealth management products	–	5,506
Interest income from loans provided to related parties	–	2,215
Interest income from loans provided to third parties	22,866	–
Finance income	53,691	77,462
Net finance costs	(236,973)	(193,634)

Borrowing costs arising on financing specifically arranged for the construction of properties were capitalised using the rates ranged from 3.28% to 10.00% (2021: 4.05% to 5.70%) per annum, and other borrowing costs were capitalised using an average interest rate of 4.72% (2021: 5.14%) per annum.

7 INVESTMENT IN ASSOCIATES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
At 1 January	1,963,666	1,883,044
Additions	16,443	122,670
Share of (losses)/profits	(81,069)	76,158
Gain from deemed partial disposals	–	50,394
Disposals	(9,593)	(38,927)
Transfer to financial assets at fair value through profit or loss	–	(129,673)
Dividends	(91,321)	–
At 31 December	1,798,126	1,963,666

List of material associate as at 31 December 2022 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 2022 RMB'000	As at 31 December 2021 RMB'000
Identifiable current assets and liabilities assumed		
Assets	13,991,398	12,061,268
Liabilities	(8,688,349)	(5,249,311)
Identifiable net current assets	5,303,049	6,811,957
Identifiable non-current assets and liabilities assumed		
Assets	4,582,710	4,525,273
Liabilities	(5,353,207)	(6,197,053)
Identifiable net non-current liabilities	(770,497)	(1,671,780)
Identifiable net assets	4,532,552	5,140,177
Identifiable net assets attributable to owners of the associate	4,527,951	5,117,178
Interest held by the Group	20%	20%
Carrying amount	905,590	1,023,436

8 INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
Current tax:		
PRC Corporate Income Tax ("CIT")	279,637	249,039
Land Appreciation Tax ("LAT")	<u>205,766</u>	<u>161,812</u>
Total current tax	<u>485,403</u>	<u>410,851</u>
Deferred tax:		
— (Origination) and reversal of temporary differences	(25,307)	53,722
— Withholding income tax	<u>8,458</u>	<u>7,700</u>
Income tax expense	<u>468,554</u>	<u>472,273</u>

- (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 2022.
- (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% to 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 are 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*).

	2022	2021
Profit attributable to owners of the Company (RMB'000)	536,091	640,203
Weighted average number of ordinary shares in issue (thousands)	<u>7,574,352</u>	<u>7,574,352</u>
Basic earnings per share (RMB cents)	<u>7.08</u>	<u>8.45</u>

There were no potential dilutive ordinary shares in 2022 and 2021, 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 2022 RMB'000	31 December 2021 RMB'000
Right-of-use assets		
— Properties	<u>93,945</u>	<u>98,063</u>
	<u>93,945</u>	<u>98,063</u>
Lease liabilities		
Current	90,026	82,992
Non-current	<u>501,331</u>	<u>479,399</u>
	<u>591,357</u>	<u>562,391</u>

The following table presents the changes of right-of-use assets for the year ended 31 December 2022:

	2022 RMB'000
Balance at 31 December 2021	98,063
Additions	2,688
Depreciation/amortisation	<u>(6,806)</u>
Closing net book amount	<u>93,945</u>

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

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

	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets		
Properties	6,806	5,403
Interest expense (included in finance cost) (<i>Note 6</i>)	(31,419)	(32,017)
Interest income (included in finance income) (<i>Note 6</i>)	3,825	6,158

(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

	2022 RMB'000	2021 RMB'000
Opening balance at 1 January	5,091,625	4,697,854
Transfer from properties under development and completed properties held for sale	413,768	316,705
Other additions	365,489	362,098
Fair value changes	265,793	51,081
Transfer to completed properties held for sale	(25,496)	(175,942)
Disposals	(150,446)	(160,171)
Closing balance at 31 December	<u>5,960,733</u>	<u>5,091,625</u>

Amounts recognised in profit and loss for investment properties

	2022 RMB'000	2021 RMB'000
Rental income from self-owned properties	193,791	221,490
Rental income from sub-leasing	77,228	69,241
Direct operating expenses from property that generated rental income	<u>17,120</u>	<u>45,709</u>

As at 31 December 2022, the Group had no contractual obligations for future repairs and maintenance (2021: nil).

Investment properties with an aggregate carrying value of RMB1,248,646,000 (2021: RMB1,458,660,000) as at 31 December 2022 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 year to 16 years.

As at 31 December 2022, title certificates of certain investment properties of the Group with carrying value of RMB2,154,540,000 (2021: RMB1,431,570,000) 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	
	2022	2021
	RMB'000	RMB'000
Expected to be completed for sale within one year		
Properties under development for sale	<u>2,075,929</u>	<u>1,337,458</u>
Expected to be completed for sale after more than one year		
Properties under development for sale	<u>1,039,187</u>	<u>2,567,097</u>
	<u>3,115,116</u>	<u>3,904,555</u>

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

Properties under development with an aggregate carrying value of RMB2,899,691,000 (2021: RMB3,247,351,000) as at 31 December 2022 were pledged for certain bank loans granted to the Group (*Note 18*).

13 COMPLETED PROPERTIES HELD FOR SALE

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

Completed properties held for sale with an aggregate carrying value of RMB1,100,224,000 (2021: RMB934,840,000) as at 31 December 2022 were pledged for certain bank loans granted to the Group (*Note 18*).

14 INVENTORIES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Raw materials	2,261	2,297
Work in progress	3,258	19,477
Finished goods	<u>66,963</u>	<u>69,413</u>
	<u>72,482</u>	<u>91,187</u>

15 TRADE AND OTHER RECEIVABLES

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current portion		
Trade receivables (a)	1,207,211	955,652
Loans to third parties	529,845	549,649
Prepayments for construction cost and raw materials	246,851	269,684
Prepaid turnover tax and other taxes	187,375	140,184
Notes receivables	17,995	32,146
Deposits receivables	133,484	30,984
Loans to related parties	687	8,490
Others	197,677	112,026
	<u>2,521,125</u>	<u>2,098,815</u>
Non-current portion		
Trade receivables (a)	344,365	369,774
Receivables from finance leases	19,316	40,716
Loans to related parties	4,558	4,162
Loans to third parties	354,528	79
	<u>722,767</u>	<u>414,731</u>
Less: allowance provisions for		
— Trade receivables	(92,560)	(75,334)
— Other receivables	(155,499)	(81,510)
	<u>(248,059)</u>	<u>(156,844)</u>
Total	<u><u>2,995,833</u></u>	<u><u>2,356,702</u></u>

- (a) Trade receivables are generally due within 1 year 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 receivables, based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	963,340	633,454
One to two years	143,540	596,420
Two to three years	384,775	29,957
Three to four years	10,286	30,675
Over four years	49,635	34,920
	<u>1,551,576</u>	<u>1,325,426</u>

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.

As at 31 December 2021 and 2022, the fair value of trade and other receivables approximated their carrying amounts.

16 TRADE AND OTHER PAYABLES

	At 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade creditors and bills payable	1,993,290	2,684,881
Advances from third parties	154,445	631,445
Other taxes payables	101,954	203,235
Construction guaranteed deposits payable	331,021	187,378
Advances from related parties	113,956	110,579
Accrued payroll	80,871	87,496
Interests payable	31,000	49,753
Other payables and accruals	539,535	577,486
Total	<u>3,346,072</u>	<u>4,532,253</u>

As at 31 December 2022, the ageing analysis of trade creditors and bills payables, based on the invoice date, is as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	1,520,440	2,193,746
One to two years	129,255	441,219
Two to three years	304,980	6,779
Over three years	38,615	43,137
	<u>1,993,290</u>	<u>2,684,881</u>

As at 31 December 2021 and 2022, the fair value of trade and other payables approximated their carrying amounts.

17 CORPORATE BONDS

	2022	2021
	RMB'000	RMB'000
As at 1 January	258,097	1,334,501
Net proceeds from bonds issued	—	350,000
Interest expenses	2,074	30,911
Principal paid during the year	(250,000)	(1,400,000)
Coupon interest paid	(10,171)	(57,315)
As at 31 December	<u>—</u>	<u>258,097</u>
Representing:		
Current portion	<u>—</u>	<u>258,097</u>

In May 2021, the Group issued short-term note with maturity of 270 days with face value of RMB250,000,000 bearing an annual interest rate of 5.5%. The note has been repaid in February 2022.

18 BANK AND OTHER BORROWINGS

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Current		
Secured		
— Bank and other borrowings	738,990	681,000
— Current portion of non-current bank and other borrowings	939,585	542,482
	<u>1,678,575</u>	<u>1,223,482</u>
Unsecured		
— Bank and other borrowings	1,727,594	1,730,897
— Current portion of non-current bank and other borrowings	430,685	163,132
	<u>2,158,279</u>	<u>1,894,029</u>
	<u><u>3,836,854</u></u>	<u><u>3,117,511</u></u>
	At 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Secured		
— Bank and other borrowings	2,877,024	2,233,430
Less: Current portion of non-current bank and other borrowings	(939,585)	(542,482)
	<u>1,937,439</u>	<u>1,690,948</u>
Unsecured		
— Bank and other borrowings	1,724,707	456,653
Less: Current portion of non-current bank and other borrowings	(430,685)	(163,132)
	<u>1,294,022</u>	<u>293,521</u>
	<u><u>3,231,461</u></u>	<u><u>1,984,469</u></u>

The bank and other borrowings bear interest ranging from 2.5% to 10.0% per annum for the year ended 31 December 2022 (2021: from 2.5% to 6.0%).

The Group's borrowings were repayable as follows:

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year or on demand	3,836,854	3,117,511
After 1 year but within 2 years	495,306	849,980
After 2 years but within 5 years	1,837,359	366,667
After 5 years	898,796	767,822
	<u>7,068,315</u>	<u>5,101,980</u>

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

	At 31 December	
	2022	2021
	RMB'000	RMB'000
Properties under development (<i>Note 12</i>)	2,899,691	3,247,351
Investment properties (<i>Note 11</i>)	1,248,646	1,458,660
Completed properties held for sale (<i>Note 13</i>)	1,100,224	934,840
Restricted cash	10	22,319
	<u>5,248,571</u>	<u>5,663,170</u>

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 4.80% (2021: 5.07%) 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 2022, none of the covenants relating to drawn down facilities had been breached (2021: nil).

19 SHARE CAPITAL AND TREASURY SHARES

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

	At 31 December 2022 and 2021		
	No. of Shares (<i>'000</i>)	<i>RMB'000</i>	Treasury shares <i>RMB'000</i>
Ordinary shares, issued and fully paid:			
At the end of the year	<u>7,574,352</u>	<u>623,048</u>	<u>(121,056)</u>

- (a) During the year ended 31 December 2022 and 2021, movements of the Company's treasury shares are analysed as follows:

	Shares repurchased for the purpose of		
	Share award (<i>'000</i>)	Cancellation (<i>'000</i>)	Total (<i>'000</i>)
Year ended 31 December 2022 and 2021			
Opening and Closing No. of shares	<u>152,998</u>	<u>–</u>	<u>152,998</u>

20 DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Ordinary shares		
Final dividend for the year ended 31 December 2021 of HK\$2.50 cents per fully paid share (2020: HK\$2.00 cents)	<u>163,377</u>	<u>125,633</u>

Dividends not recognised at the end of the reporting period

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 (2021: HK\$2.50 cents). The aggregate amount of the proposed dividend expected to be paid in August 2023 out of share premium account of the Company at 31 December 2022, but not recognised as a liability at year end, is

<u>165,784</u>	<u>153,950</u>
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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

2022 was 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 China Electronics Corporation Limited* (中國電子信息產業集團有限公司)’s national network information industry and the strategic objectives of the organizational platform, the Company bore in mind the idea of industrial resource sharing, sped up the improvement of the strategic structure of “One Body, Two Wings (一體兩翼)”, and, by incorporating theory with practice, continued 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 received public recognition with the value concept of “customer-oriented (以客戶為中心)” and “striver-based (以奮鬥者為本)” and the spirit of “honesty and self-discipline (廉潔自律)”, and by using reformation and innovation as basic driving force, strived to enhance the overall coordination capability of the operational management of the headquarters and further stimulated the dynamic of each operational unit.

In 2022, the Group entered into new contracts with aggregated contracted value of approximately RMB6,345.0 million, representing an increase of 47.4% as compared to that of last year, and recorded sales collection of RMB6,157.0 million, representing an increase of 24.9% as compared to that of last year.

Achieving major breakthroughs in integrated operation

With in-depth implementation of the transformation and upgrade, the Group’s strategy to seek definitive and sustainable growth in an uncertain market environment has proved to be successful. In 2022, the Group entered into new contracts with aggregated contracted value of RMB6,345.0 million, representing an increase of 47.4% as compared to that of last year, of which, integrated operation business achieved a breakthrough with new contracts with aggregated contracted value of RMB3,285.0 million, representing an increase of 577.3% as compared to that of last year. There were nine new “P+EPC+O” full process tracking projects.

Maintaining a steady growth in industrial park business

In 2022, the construction of the Group’s industrial parks across the country was in full swing and progress was seen day-by-day. Projects such as Hongze Ecological Economy Demonstration Park* (洪澤生態經濟示範園), Nantong China Electronic Eastern Zhigu* (南通中國電子東部智谷) and Chongqing China Electronics Western Smart Creation Park* (重慶中電西部智造園) successfully commenced construction. With the completion of projects such as Qingdao CEC Information Harbour* (青島中電信息港), Shanghai CEC Information Harbour* (上海中電信息港), Tianjin Zhongdian Technology Innovation Park* (天津中電科創園) and CEC Optics Valley Digital Industrial Park* (中電光谷數字產業園) and the commencement of operation of technological enterprises and manufacturing enterprises stationed in the industrial parks, the Group had a total of 23 “industrial landmark projects” with prominent regional influence. Industrial park demonstration centers such as Chongqing CEOVU Technology City* (重慶中電光谷科技城), Changsha China Electronics Smart Creation Park* (長沙中電智造園) and CEOVU Mianyang Science Park* (中電光谷綿陽科技園) have also been opened. As of 31 December 2022, the Group has established its presence in 46 cities with 88 industrial parks in aggregate.

Implementing “Responsive Customization (敏捷定制)” with a focus on distinctive industries, to build manufacturing parks and facilitate transformation and upgrade of local industries

In 2022, the Group implemented “Responsive Customization (敏捷定制)” with a focus on distinctive industries and built a number of production and manufacturing parks with distinctive characteristics in different places, which have been put into operation and accelerating transformation and upgrade of local industries. In particular, in 2022, Wuhan Caidian Digital Industrial Park* (武漢蔡甸數字產業園), with the strategic direction of serving the manufacturing power through “Responsive Customization (敏捷定制)”, contracted for an area of 35,000 sq.m. and introduced a number of “specialized and innovative (專精特新)” enterprises, and provided value-added services to the enterprises in the park in all aspects. Xianyang Western Zhigu* (咸陽西部智谷) applied the methodology of “Responsive Customization (敏捷定制)” and Phase I of the project has been completed and delivered with a responsive customization rate of over 60%; Phase III of the project is under construction, with a customized area of more than 50,000 sq.m.; and the next step will be developing Phase IV— Hi-tech Smart Manufacturing Park* (高科智造園), as well as Phase V— Xianyang Bio-city* (咸陽生物城) with every effort.

Opening up a new investment model of “fund + park”

In 2022, based on the advantages of CEOVU’s nationwide industrial parks, Wuhan Lingdu Capital Investment and Management Co., Ltd.* (武漢零度資本投資管理有限公司) (“**Lingdu Capital**”) continued to promote the five-in-one industrial investment service model of “financing-carrier-service-resources-investment”, focusing on industries such as digital city, smart manufacturing, network information and new materials, and added four new investment projects. Lingdu Capital also innovatively developed the service model of “fund + park” based on the enterprise resources of the industrial parks and the needs of local governments, empowering industrial parks to attract investment, and has set up Xianyang Qinwei Fund* (咸陽秦渭基金) and Shaanxi Yuanshang Zhigu Equity Investment Fund* (陝西原上智谷股權投資基金) etc.

Operating Results

In 2022, the Group achieved a total revenue of RMB5,523.2 million, representing an increase of 21.9% as compared to that of 2021, a profit before tax of RMB990.9 million and a net profit of RMB522.4 million. Profit attributable to owners of the Company was RMB536.1 million. The Group has upheld the concept of maintaining positive cash flow from operating activities and there was a net inflow of RMB194.8 million in 2022. The cash flow from operating activities maintained positive growth.

Business Segment Analysis

In 2022, the Group has established a strategic landscape of “One Body, Two Wings (一體兩翼)”, with park operation services 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 services, sub-leasing services, 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 and leasing services of self-owned park); and (iii) industrial investment (any property investment business relevant to industrial theme parks business). 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

	Year ended 31 December			
	2022		2021	
	<i>Revenue</i>		<i>Revenue</i>	
	<i>(RMB'000)</i>	<i>% of total</i>	<i>(RMB'000)</i>	<i>% of total</i>
Industrial park operation services	2,814,836	51%	1,927,967	43%
Design and construction services	1,316,627	24%	726,704	16%
Property management services	830,902	15%	759,455	17%
Energy services	176,255	3%	120,298	3%
Group catering and hotel services	126,363	2%	104,501	2%
Sub-leasing services	77,228	1%	69,241	2%
Others	287,461	5%	147,768	3%
Industrial park development services	2,708,368	49%	2,602,601	57%
Sales of industrial parks	2,514,577	46%	2,381,111	53%
Self-owned park leasing	193,791	4%	221,490	5%
Total	5,523,204	100%	4,530,568	100%

I. Industrial Park Operation Services

The Group has established a full-life cycle industrial park operation service system led by digitalization and, based on the digital park system, integrated 15 types of businesses, including project planning, space planning, construction and design, general contracting work, decoration work, real estate agency, regional energy services, property management, shared offices, long-term rental apartments, financial services in parks, catering and hotels, and formed a full-life cycle “P+EPC+O” service model led by consulting services, supported by intelligent technology and digital solutions, and backed by an integrated operation system, to provide customers with diversified services.

Based on the OVU Park Pass (OVU園區通) and industrial data, OVU Industrial Cloud (OVU產業雲) focuses on the four major systems of digital development, digital construction, digital facilities and digital investment and operation, and integrates the five indicators of “people, vehicles, assets, energy consumption and taxation” and a set of full-life cycle management system of industrial parks to form a digital full-stack solution for industrial organizations with full-process monitoring, full-service online and full data access. Wuhan China Electronics Energy Conservation Co., Ltd* (武漢中電節能有限公司) (“**CEC Energy Conservation**”), with the core of district cooling and heating system (“**DHC**”), photovoltaic power generation and energy storage system of industrial parks and smart network connected vehicle charging system, built a regional energy system named OVU Low-carbon Cloud (OVU低碳雲), which accelerated the construction of low-carbon industrial park and facilitated the attainment of the goal of “double carbon”. The OVU Park Pass has enabled the digital management of the whole process of the Group’s development and operation business.

Digital park is an important platform for industrial development and economic growth of a city. The Group will give full play to the advantages of industrial parks and explore new paths and power of digital city construction through the promotion and application of digital park system to provide full-life-cycle and all-occasions services for enterprises in the parks.

In 2022, the turnover of the industrial park operation services of the Group amounted to RMB2,814.8 million, representing an increase of 46.0% as compared to the same period in 2021. Among which, revenue from design and construction services reached RMB1,316.6 million, revenue from property management services reached RMB830.9 million, revenue from regional energy services reached RMB176.3 million, revenue from group catering and hotel services reached RMB126.4 million, revenue from sub-leasing services reached RMB77.2 million, and revenue from industrial parks finance and other services reached RMB287.5 million. In terms of composition, the revenue from design and construction services, property management services and energy services accounted for 82.6% 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

“P+EPC+O” business is an integrated park operation model which the Group has focused on in recent years. It 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, and a “three-in-one (三位一體)” structure of the responsible body has been established.

“P+EPC+O” is a complete integrated form of comprehensive operation, which guides 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 (以終為始)” and the high-standard delivery result of being responsible for the results, as well as the realization of the planning goal of “multiple compliance (多規合一)”.

By optimizing and integrating the leading and strategic outpost functions of its architectural design institute, construction subsidiaries (namely Wuhan Jitian Construction Co., Ltd.* (武漢吉天建設工程有限公司), Wuhan Lido Technology Company Limited* (武漢麗島科技有限公司) and Hubei Qianbao Design Engineering Co., Ltd.* (湖北千寶設計工程有限公司)) as well as its consulting and planning business comprising the Planning and Development Center, the Research Institute of Industrial Economics and the Industrial Cooperation Center, the Group provides services for the full-life cycle projects under the guidance of “one platform and two methodologies (一平台兩方法論)”, deeply explores industrial resources and diversifies the platform for sharing industrial resources of CEOVU.

During the Reporting Period, the Group achieved breakthroughs in terms of integrated operation and entered into new contracts with contracted value of RMB3,285.0 million, representing an increase of 577.3% as compared to that of last year. There were nine new “P+EPC+O” full process tracking projects.

Property Management Services

In 2022, 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 Wuhan Lido Property Management Co., Ltd.* (武漢麗島物業管理有限公司) (“**Lidao Property**”), China Electronics Domainblue Smart Engineering (Wuhan) Co., Ltd.* (中電藍域智能工程(武漢)有限公司) (“**Domainblue Smart**”), Wuhan ChuWei Defense Security Services Co., Ltd.* (武漢楚衛防線保安服務有限公司) (“**ChuWei Defense**”), Lidao Real Estate Agency* (麗島房地產代理), Lidao Human Resources* (麗島人力資源), Lixiang Life* (麗享生活) and other whole-industry-chain property service systems to provide consulting and early intervention services for the development and construction companies, intelligent operation and asset management services for industrial parks, and professional support services for other property management companies. Last but not least, it also provides property owners with all-around and one-stop property management services.

Lidao Property, a subsidiary of the Group, was one of the first batch national first-class property management enterprises, and was selected as one of the “Top 100 National Property Service Enterprises in terms of Overall Strength (全國物業服務企業綜合實力TOP100)” and awarded the “Leading Company in Industry Park Property Service”.

In 2022, led by Lidao Property, service segments such as property, security and facility maintenance recorded an annual production value of RMB1,000.0 million, with over 6,800 employees under management, 49 companies under management, and over 140 operating projects.

During the Reporting Period, the income from the property management services of the Group was RMB830.9 million, representing an increase of 9.4% as compared to the same period in 2021. The area covered by the property management services reached 25,490,000 sq.m, of which the area covered by public property management services such as industrial parks accounted for 67.8%.

In 2022, the focus of property management was on services such as intelligent communities and intelligent industrial parks, and the customer base was expanded to include large enterprises such as Wuhan Branch of Yangtze Three Gorges Industrial Co., Ltd.* (長江三峽實業有限公司武漢分公司), Chengdu Yuntai Internet of Things Technology Co., Ltd.* (成都雲泰物聯網技術有限公司) and Wuhan Science and Technology Investment Property Service Co., Ltd.* (武漢科投物業服務有限公司), with new contracts amounting to RMB54.3 million, representing an increase of 3.0% as compared to that of last year.

Sub-leasing services - 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, and has developed an industrial resource sharing platform of “state-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, the Group adjusted its operation strategy and focused its resources on the development of high-quality incubators and shared office service properties. Currently, the Group has six large projects, including Zhongdiandifu Building* (中電迪富大廈), Youth Apartment* (青年公寓), Chongqing Optics Valley Wisdom Park* (重慶光谷智創園) and OVU Maker Star* (OVU創客星), covering 234,000 sq.m.. Amidst the impact of the pandemic in 2022, the leased area amounted to 181,000 sq.m., with an occupancy rate of 77.4%. The incubator and office sharing services achieved an operating revenue of RMB77.2 million during the Reporting Period.

The digital space management platform self-developed by OVU Maker Star was recognized by the the National Development and Reform Commission (“**NDRC**”) as a significant project of national level dual innovation demonstration base and an office incubator for emerging industries which fully supports new working trends including mobile working and cross-city resource sharing.

OVU Maker Star is operating 37 sites with a total area of 400,000 sq.m. for innovation and entrepreneurship in 21 innovative cities across the country including Beijing, Shanghai, Shenzhen, Wuhan, Chengdu, Xi’an, Changsha, Hefei etc. It invited over 150 service providers from different sectors such as human resources, legal, financial, marketing and promotion etc., and supported over 2,000 innovation teams and start-ups including Meituan Bike, Qihoo 360, HP China, Bilibili and Easylinkin Technology Co., Ltd.* (慧聯無限科技有限公司) (“**Easylinkin Technology**”) invested by CEOVU. It gathered over 80,000 innovative businessmen and entrepreneurs. For the year ended 31 December 2022, OVU Maker Star has received over 50 qualifications for its site operations including 2 demonstration bases, 7 incubators, 9 co-working spaces and 1 advertising incubating platform that are up to national standard; 9 incubators and 10 co-working spaces that are up to provincial standard; as well as 2 incubators and 6 co-working spaces that are up to municipal standard. It was awarded over 80 awards from institutions including the 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.

Energy Services

The Group adheres to the ecological priority and low-carbon development route and actively responds to the national goal of “achieving peak carbon by 2030 and carbon neutrality by 2060 (3060 雙碳目標)”. Relying on its integrated energy service company, CEC Energy Conservation, it builds low-carbon parks with low-carbon planning, low-carbon construction and low-carbon operation.

After more than 10 years of independent research and development, CEC Energy Conservation has built the Low-carbon Cloud (OVU低碳雲) system platform, which is the first integrated energy low-carbon digital system based on the PKS system in China with dual functions of experiment and production, and has accumulated more than 7 billion pieces of data, forming a complete closed loop from energy production management to digital monitoring and control and using operational data to guide preliminary planning. With the concept of integrated energy services, it integrates the “1+N” (DHC, distributed photovoltaic, new energy charging pile, energy storage system) industrial ecological business system focusing on low-carbon smart park services, which enables the integrated management and control of electricity, cooling , heat, water, gas and other energy.

Up to now, CEC Energy Conservation has adopted the OVU Low-carbon Cloud (OVU低碳雲) system platform in industrial parks in 15 cities across the country, with an operating area of 12 million sq.m. and reduction of carbon emission of 600,000 tonnes per year. The Company invested and constructed Wuhan Optics Valley Financial Port* (武漢光谷金融港), Wuhan Optics Valley Software Park* (武漢光谷軟件園), Hefei Financial Port* (合肥金融港), Beichen Optics Valley* (北辰光谷裡), Wuhan Smart Eco-City* (武漢智慧生態城), Shanghai CEC Information Harbour* (上海中電信息港), the second phase of Changsha CEC Software Park* (長沙中電軟件園二期), Chengdu Chip Valley IC* (成都芯谷IC) and Industrial R&D Base Project, China Electronics Western Zhigu* (中國電子西部智谷) and other DHC projects, and successfully implemented market-oriented operation. Meanwhile, the Company provided technical and operational services for projects such as Wuhan Future Technology City Start-up Area, Luoyang Wealth Center, Jingshuang Hospital Area of Chongqing Shapingba District People's Hospital and Wuhan Creative Capital, and achieved a win-win situation for the environment, government, developers, users and other parties.

The Company is pushing forward the transformation and development of “Low-Carbon Energy - Empowering Low-Carbon Parks (低碳能源—賦能低碳園區)”. In line with corporate development, the Company focuses its attention on the overall strategy and is committed to the goal of carbon peaking and carbon neutrality, while actively exploring innovative business models, identifying and integrating existing resources. During the Reporting Period, CEC Energy Conservation had new contracts amounting to RMB135.4 million, including the internet entertainment product research and development base DHC service project which amounted to RMB50.0 million. In 2022, the income from energy services was RMB176.3 million, representing an increase of 46.6% as compared to 2021.

Group Catering and Hotel Services

Established in 2011, Wuhan Quanpai Catering Management Co., Ltd.* (全派餐飲管理有限公司) (“**Quanpai Catering**”) 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, and hospitals etc. At the current stage, its annual catering capacity has reached 6 million person-times. Based in the industrial parks, Quanpai Catering not only provides services for the Group, but also promotes the business atmosphere in the park as a business incubator at the same time, attracting various businesses into the park and improving its comprehensive service capabilities.

Wuhan Ziyuan Hotel, with high-end hotel industry chain service capabilities, provides hotel project consulting, hotel design, hotel construction, and hotel operation services. Wuhan Ziyuan Hotel is the first hotel invested in and constructed by CEOVU. It is a modern art boutique hotel located in the park of Wuhan Creative Capital. The hotel has 54 suites and boutique rooms with modern art as the theme, including Yaxu Western dining room, Heyuanyan Chinese dining room, wine bar, cigar bar, outdoor infinity pool, high-end SPA, indoor golf, gym, multi-functional high-end banquet hall, conference room, and other supporting facilities.

The OVU apartment brand created by CEOVU, through the smart transformation of traditional apartments, establishes a software and hardware integrated smart platform, uses a smart apartment management system of a full-process unmanned management, and provides high-quality apartment housekeeper service through smart equipment terminals, including unmanned services from renting to check-in, from payment to contract signing, from access control and notification and repair request, so as to ensure the safety of accommodation, improve the efficiency of apartment property services, and enhance the user experience. At present, OVU apartment has formed a number of integrated operation service capabilities such as apartment brand positioning and design, apartment planning and design, assembly and operation and maintenance of apartment smart equipment, and apartment smart software system authorization and customized development.

In 2022, the business strategies of group catering and hotel services were adjusted and the revenue therefrom amounted to RMB126.4 million, representing an increase of 21.0% compared to 2021.

II. Industrial Park Development Services

The Group adheres to the idea of “city-specific approach (一城一法)” to build industrial innovation ecosystem and create city name card, and focuses on distinctive industries and gives full play to the advantages of “responsive customization (敏捷定制)” products, and its industrial park development business witnessed steady progress.

The Group has 88 themed industrial parks in 46 cities across the country, with three major park product lines, namely network information parks, technology innovation parks and smart manufacturing parks. Most of the themed industrial park projects have become key construction projects and city name cards locally, and have become windows for regional technological innovation and industrial development.

During the Reporting Period, revenue from the property development in the industrial parks amounted to RMB2,708.4 million, representing an increase of 4.1% over the same period of last year.

1. Sales of Self-owned Industrial Parks

During the Reporting Period, industrial park sales business of the Group has added new contracted area of 434,000 sq.m., with contracted value of RMB2,799.0 million and annual collection of RMB2,798.0 million. Revenue amounted to RMB2,514.6 million, representing an increase of 5.6% over the same period of 2021.

During the Reporting Period, the income from the sales of self-owned industrial parks of the Group was mainly contributed by three cities, namely Changsha, Shanghai and Qingdao, among which, Changsha Information Security Industrial Park* (長沙信息安全產業園) attached great importance to the services of the settled enterprises, explored the needs of existing customers and stimulated vitality through industry leaders. During the Reporting Period, 69 new customers including Hunan Attitude Network Technology Co., Ltd.* (湖南有態度網絡科技有限公司) and Zhongquan Wanhui Environmental Technology Co., Ltd.* (中泉萬匯環境科技有限公司) were stationed in the park, achieving sales revenue of RMB426.7million, accounting for 17.0% of the revenue from the sales of industrial parks. Shanghai CEC Information Harbour* (上海中電信息港) achieved an occupancy rate of 70.0% immediately after its opening, and won the title of Songjiang Excellent Park* (松江優秀園區) at the end of the year, with an annual sales revenue of RMB360.0 million, accounting for 14.3% of the revenue from the sales of industrial parks. Because of the demand for industry transformation and upgrade in Qingdao and West Coast New District, Qingdao Company has successfully built a blue high-tech industrial cluster with the largest number of enterprises and the highest industrial concentration in the new area, accelerated the transformation and upgrade of other traditional industries and the real economy in the region, as well as integration and innovation, and achieved remarkable results in the transformation of new and old dynamics in the region, double recruitment and double

introduction etc. It achieved an annual sales revenue of RMB315.6 million, accounting for 12.6% of the revenue from the sales of industrial parks.

In 2022, there were 25 projects in 20 cities where self-owned industrial parks were sold. 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, and 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 has been strengthened consistently. During the Reporting Period, the total area of construction commenced amounted to 464,000 sq.m., and completed construction area amounted to 930,000 sq.m. As at the end of the Reporting Period, the total area under construction was 1,089,000 sq.m., to build manufacturing parks with a further focus on distinctive industries, which laid the foundation for the transformation and upgrade of local industries.

3. *Land Bank of the Industrial Parks*

During the Reporting Period, the Group owned approximately 6,954,000 sq.m of high-quality land bank for the industrial parks in various cities, including Wuhan, Shanghai, Qingdao, Changsha, Chengdu, Tianjin, Hefei, Chongqing, Shenyang, Luoyang, Xi'an, Wenzhou, Ezhou, Huangshi, Huanggang, Chengmai (Hainan), Zhuhai and Ningbo etc.

4. *Industrial Park Self-owned Property Leasing*

During the Reporting Period, the Group owned 699,000 sq.m. of leasable area of self-owned properties, which increased by 121,000 sq.m. as compared to last year. As at the end of the year, leased area amounted to 501,000 sq.m., with an occupancy rate of 71.6%. The Group recorded a rental income of RMB214.8 million. High-quality self-owned properties enriched the ecological system of industrial parks, enhanced the dynamic of the parks, helped attract investment and improved the brand power of the Group. During the Reporting Period, an operating revenue of RMB193.8 million was recorded.

III. Industrial Investment

The 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 Lingdu Capital under CEOVU have established a number of industrial investment funds and completed equity investments for nearly 60 technology companies. The valuation of the invested companies has increased by more than RMB3.1 billion. The foundation for building an industrial ecology featuring IT application innovation and network security, integrated circuits, digital cities, smart manufacturing, cultural, creative and entertainment industry has initially taken shape.

During the “14th Five-Year Plan” period, CEOVU’s industrial investment business will take the discovery of unicorn companies and gazelle companies as the main goal, strengthen collaboration with park businesses, and drive high-quality development of park businesses through industrial investment.

Lingdu Capital has invested in equity in the areas of digital city, smart manufacturing, IT application innovation, internet medical care, automotive electronics, cultural, creative and entertainment industries, and has gradually established a diversified corporate industrial ecosystem. The company seizes the general trend of industrial upgrading in the regional economy in China, cultivates innovative enterprises, and builds an innovative ecosystem. With a deep understanding of industrial ecology and industrial development, a set of methodology for growth and mergers and acquisitions from start-ups to listed companies has been established, and targeted industrial ecological construction plans have been designed to help local governments promote industrial upgrading and transformation. Lingdu Capital has gathered a group of domestic and overseas professionals with extensive experience in investment, technology, management, finance and law, and has completed investment and consulting services for more than 100 start-ups, growing companies and listed companies.

In 2022, based on the advantages of CEOVU’s nationwide industrial parks, Lingdu Capital continued to promote the five-in-one industrial investment service model of “financing-carrier-service-resources-investment”, focusing on digital city, smart manufacturing, network information and new materials, and added four new investment projects. It also innovatively developed the service model of “fund + park” based on the enterprise resources of the industrial parks and the needs of local governments, empowering industrial parks to attract investment, and has set up Xianyang Qinwei Fund* (咸陽秦渭基金) and Shaanxi Yuanshang Zhigu Equity Investment Fund* (陝西原上智谷股權投資基金), etc.

CEC & CICC fully grasps the trend of transformation in the emerging electronics industry, and leverages CEC's business advantages as a top electronic information technology company and the investment experience of CICC's professional investment team to make medium- and long-term investments in upstream and downstream related companies in the industry. It also promotes the Company's sustainable development through multiple business cooperation with CEC.

CEC & CICC mainly invests in mature mid- and late-stage companies and a small number of start-up companies with strategic emerging technologies. The investment method is mainly lead investment supplemented by co-investment, and the exit method is mainly independent listing supplemented by mergers and acquisitions.

In 2022, there were 10 new investment projects including Luxvisions Innovation Technology Limited of Guangdong and X-EPIC Corporation Limited, with an additional investment of RMB469.9 million. In 2022, certain invested projects have achieved major progress: Sipai Health Technology Co., Ltd. was listed on the main board of the Hong Kong Stock Exchange on 23 December 2022; Goertek Microelectronics Inc. was accepted by the listing committee for an IPO on the ChiNext Board on 19 October 2022; Wafer Works (Shanghai) Co., Ltd. officially submitted its listing documents to the Shanghai Stock Exchange on 22 December 2022 and was accepted on 29 December 2022.

OUTLOOK OF 2023

Having been involved in the industry of industrial parks for nearly 20 years and being a professional industrial park development and operation group, CEOVU will again ride on the momentum of growth in 2023. The Group will stick to the national strategy of “innovation-driven, manufacturing power, quality power, cyber power, digital China and regional coordination” and CEC's goal of building a core strategic technology force in the national network information industry, bear in mind the mission of “green development”, improve its understanding of the assertion of “building a modern industrial system, putting the focus of economic development on the real economy and promoting new industrialization”, explore the road of development of new industrialization under the business structure of “One Body, Two Wings (一體兩翼)” of park operation, park development and industrial investment, and contribute to the construction of the modern industrial system.

Writing a new chapter of “innovation-driven (創新驅動)”, facilitating the growth of strategic emerging industries, and promoting industrial upgrade

The Group will actively respond to the national innovation-driven development strategy, continue to capitalize on the “OVU Maker Star (OVU創客星)” which serves as the “dual-innovation (雙創)” service carrier, strive to obtain more licenses from national-level technology business incubators and accelerators, increase the construction of dual-innovation space, continue to optimize industrial services based on the needs of enterprise development, gather innovative entrepreneurs and innovative forces, make the soil of innovation more fertile, facilitate the growth of strategic emerging industries, strengthen weak links in the industrial chain, promote the upgrade of traditional industries, and create an innovative ecosystem.

Providing new driving force for “manufacturing power (製造強國)”, focusing on the key industrial chain of manufacturing industry and pursuing technological breakthroughs

The manufacturing industry is of critical importance for the development of real economy, and how to promote the transformation and upgrading of traditional manufacturing industry is an important mission for the development of industrial parks. In accordance with the national strategic plan of promoting new industrialization, the Group will give full play to the advantages of industrial resources and the experience of construction and operation of 88 industrial parks in 46 cities and, based on the methodology of “system planning (系統規劃)” and “integrated operation (綜合運營)”, plan and build new industrial parks in a number of cities to promote digital upgrade, with special emphasis on promoting the high-quality development of new industrialization in the “county economy (縣域經濟)” and concentrating high-quality resources to promote the key and core technological breakthroughs, so as to open up a new path to realize the “manufacturing power (製造強國)”.

Establishing a new model of “quality power (質量強國)” and enhancing brand influence

The Group will further enhance the business structure of “One Body, Two Wings (一體兩翼)” and its industry competitiveness, innovate business models, fully implement the corporate standards for low-carbon parks and digital parks, adhere to the ecological priority and low-carbon development route, actively respond to the goal of “achieving peak carbon by 2030 and carbon neutrality by 2060 (3060 雙碳目標)”, build low-carbon parks with low-carbon planning, low-carbon construction and low-carbon operation by relying on its integrated energy service company, CEC Energy Conservation, establish new industrial landmarks, achieve the goal of “seeking definitive and sustainable growth with sophisticated development ideas in an uncertain market environment”, so as to establish a new model for the high-quality development of CEOVU.

Building a new ecosystem of “cyber power (網絡強國)”, gathering network information resources, and creating special network information ecological clusters

As a member of CEC, the Group implements national strategies and serves the industry and society with an unwavering mission. With business presence across the country based on the network information industry chain, the Group gives full play to the advantages of the national industry resource sharing platform and gathers the ecological resources of the network information industry, and has explored a new model which enables integration between industry and education in view of the shortage of application-oriented talents in the network information industry, based on the self-operated National Network Security Talents and Innovation Base (Wuhan), through the network security talent training of central enterprise. In 2023, we will steadfastly adhere to “CEC’s goal of building a core strategic technology force in the national network information industry”, keep in mind the mission of CEOVU to build an “industrial resource sharing platform”, capitalize on the industrial resources in the electronic information sector of China, give full play to CEOVU’s unique advantages, build a batch of new network information industry innovation centers based on the PKS ecosystem, create a network information ecological cluster with CEOVU characteristics, and facilitate the high-quality development of local economies through cross-regional ecological and resource integration.

Fostering the growth of “digital China (數字中國)” and accelerating the digital transformation of traditional industries and small and medium sized enterprises

Digital economy is the most contemporary industry. With its best efforts, the Group has built OVU Industry Cloud (OVU產業雲), which is important for the development of digital economy and provides digitalized full-stack solutions for local governments and platform companies. In 2023, the Group will further accelerate digital construction, promote the integration of reality and digital world, drive the change of business model by digitization, capitalize on the “industrial cloud (產業雲)” and “low-carbon cloud (低碳雲)” to release the amplification, superposition and multiplication effects of digitization on the high-quality corporate development, implement low-carbon standards for the construction of industrial parks, build a cluster of digital industrial parks with industry competitiveness and influence, become the constructor, operator and leader of digital park platform, and promote the rapid development of digital China.

Achieving new results of “regional coordination (區域協調)” and creating synergy to promote high-quality development

Industrial parks have become the main carrier and engine of high-quality regional economic development. Under the new development paradigm “with domestic circulation as the mainstay and domestic and international circulations reinforcing each other”, the Group will transfer the resources from developed regions to less developed regions and solve the difficult problem of unbalanced regional development through transferring manufacturing industries from the “Yangtze River Delta” and “Guangdong-Hong Kong-Macao Greater Bay Area” to the central part of the country. At the same time, the Group will further promote cross-regional collaborative investment attraction and industrial cooperation, improve the efficiency of industrial organization, build and operate high-quality industrial carriers with the “P+EPC+O” integrated full-life cycle operation service model, create super industrial ecology, cultivate the vitality of urban innovation, highlight the new achievements of coordinated regional development, and create synergy to promote high-quality development.

Financial Review

Revenue

The revenue of the Group is generated from the income from industrial park development services and industrial park operation services. During 2022, the revenue of the Group was RMB5,523.2 million, which increased by 21.9% as compared to RMB4,530.6 million for the same period of 2021.

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

	Year ended 31 December			
	2022		2021	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Industrial park operation services	2,814,836	51%	1,927,967	43%
Design and construction services	1,316,627	24%	726,704	16%
Property management services	830,902	15%	759,455	17%
Energy services	176,255	3%	120,298	3%
Group catering and hotel services	126,363	2%	104,501	2%
Sub-leasing services	77,228	1%	69,241	2%
Others	<u>287,461</u>	<u>5%</u>	<u>147,768</u>	<u>3%</u>
Industrial park development services	2,708,368	49%	2,602,601	57%
Sales of industrial parks	2,514,577	46%	2,381,111	53%
Self-owned park leasing	<u>193,791</u>	<u>4%</u>	<u>221,490</u>	<u>5%</u>
Total	<u>5,523,204</u>	<u>100%</u>	<u>4,530,568</u>	<u>100%</u>

Industrial Park Development Services

In 2022, the revenue from industrial park development services was RMB2,708.4 million, representing an increase of 4.1% as compared to that of last year and accounting for 49.0% of total revenue.

Industrial Park Operation Services

In 2022, the Group provided integrated operation services, such as design and construction services, property management services, sub-leasing services, energy services, and other services, for key projects of local government platform companies and 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 RMB2,814.8 million, representing an increase of 46.0% as compared to the same period of 2021, among which, revenue from design and construction services reached RMB1,316.6 million, revenue from property management services reached RMB830.9 million, revenue from sub-leasing services reached RMB77.2 million and revenue from regional energy services reached RMB176.3 million, revenue from group catering and hotel services reached RMB126.4 million, and revenue from industrial park financial services and other services reached RMB287.5 million.

In terms of composition, during the Reporting Period, revenue from park operation services accounted for 51.0%. In terms of business type of operation services, the income from design and construction services, property management services and energy services accounted for 82.6% 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 2022, cost of sales of the Group was RMB3,963.4 million, which increased by RMB730.8 million as compared to the same period of 2021. For the years ended 31 December 2022 and 2021, cost of sales of the Group accounted for approximately 71.8% 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 2022, the cost of properties sold by the Group was RMB1,505.0 million, which decreased by RMB51.4 million as compared to the same period of 2021. For the years ended 31 December 2022, cost of properties sold of the Group accounted for 38.0% of its total cost of sales.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during 2022, overall gross profit of the Group was RMB1,559.8 million, which increased by RMB261.8 million as compared to the same period of 2021. The overall gross profit margin for 2022 was 28.2%, which was basically unchanged from that of last year.

Other Income and Gains/(Losses) – Net

During 2022, other income and gains, net of the Group was RMB215.8 million, representing a decrease of RMB269.5 million as compared to the same period of 2021, primarily due to the absence of the following factor for the current period: the transfer of Shenzhen Huada Beidou Technology Company Limited* (深圳華大北斗科技有限公司) from investment in associates to financial assets at fair value through profit or loss in 2021, which resulted in the recognition of investment gains of RMB276.7 million for the previous year.

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 2022, selling and distribution expenses of the Group was RMB171.6 million, which increased by RMB42.0 million as compared to the same period of 2021. For the year ended 31 December 2022, selling and distribution expenses of the Group accounted for 3.1% of the Group's revenue, which was at the similar level as the previous year.

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 2022, administrative expenses of the Group was RMB432.0 million, which decreased by RMB18.1 million as compared to the same period of 2021. For the year ended 31 December 2022, the administrative expenses of the Group accounted for 7.8% of the Group's revenue, representing a decrease of 2.1% as compared to the same period of last year.

Fair Value Gains on Investment Properties

During 2022, gains from changes in fair value on the Group's investment properties were RMB265.8 million, which increased by RMB214.7 million as compared to the same period of 2021, primarily attributable to the addition of 155,000 sq.m. of investment properties of projects in Xianyang Western Zhigu* (咸陽西部智谷) and Changsha China Electronics Smart Creation Park* (長沙中電智造園) during the current period.

Finance Income

During 2022, finance income of the Group was RMB53.7 million, which decreased by RMB23.8 million as compared to the same period of 2021.

Finance Costs

During 2022, finance costs of the Group was RMB290.7 million, which increased by RMB19.6 million as compared to the same period of 2021, primarily due to an increase in interest-bearing liabilities during the current year.

Share of Losses of Associates

During 2022, the losses of associates shared by the Group were RMB81.1 million, mainly comprising the recognition of investment losses of China Electronics Industrial City Development (Shenzhen) Co., Ltd.* (中電產城發展 (深圳) 有限公司) and Hainan Resort Software Community Group Co., Ltd.* (海南生態軟件園集團有限公司) using the equity method for the current year, which represented a decrease of RMB157.3 million as compared to that of the same period of 2021.

Share of Losses of Joint Ventures

In 2022, the Group had a share of losses of joint ventures of RMB25.3 million, mainly comprising the recognition of losses from Ningbo Excellence Optics Valley Real Estate Co., Ltd.* (寧波卓越光谷置業有限公司) under the equity method for the current year.

Income Tax Expense

During 2022, the Group's income tax expense was RMB468.6 million, representing an increase of RMB3.7 million over the same period of 2021. The effective tax rates of the Group were 47.3% and 43.5% in 2022 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 RMB536.1 million, representing a decrease of RMB104.1 million over the same period of 2021. After deducting the after-tax fair value changes from the investment properties of RMB199.3 million, the core net profit attributable to owners of the Company was RMB336.7 million.

Basic Earnings Per Share

The basic earnings per share were RMB7.08 cents in 2022 and RMB8.45 cents in 2021.

FINANCIAL POSITION

Properties under Development

As at 31 December 2022, the carrying amount of the Group's properties under development was RMB3,115.1 million, which decreased by RMB789.5 million as compared to that as at 31 December 2021, mainly due to the fact that completed area of projects under construction was greater than the area under construction of new projects in the current year.

Completed Properties Held for Sale

As at 31 December 2022, the carrying amount of completed properties held for sale of the Group was RMB3,481.9 million, which increased by RMB774.6 million as compared to that as at 31 December 2021, mainly due to the fact that the completed property area was larger than the property area carried forward for sale in the current year.

Trade and Other Receivables

As at 31 December 2022, the Group's trade and other receivables were RMB2,995.8 million, which increased by RMB639.1 million as compared to that as at 31 December 2021 and accounted for 13.3% of the total assets, representing an increase of 2.3% as compared to that of last year.

Trade and other Payables

As at 31 December 2022, the Group's trade and other payables were RMB3,346.1 million, which decreased by RMB1,186.2 million as compared to that as at 31 December 2021.

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 to fund its working capital and general recurring expenses. The Group primarily has cash generated through pre-sale and sale of its properties and proceeds from bank loans and other borrowings. 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 2022, the Group's net cash outflow from financing activities was RMB97.8 million, which was mainly from the proceeds from the Company's issuance of syndicated loans in Hong Kong market, 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 2022, 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 1.35 as at 31 December 2021 to 1.42 as at 31 December 2022, which was primarily due to the increase in the completed properties held for sale of the Group in 2022 as compared to the previous year.

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%) increased from 27.2% as at 31 December 2021 to 35.0% as at 31 December 2022. The ratio is still within the range of controllable risk.

Indebtedness

As at 31 December 2022, the Group's total outstanding indebtedness was RMB7,068.3 million.

As at 31 December 2022, the Group's unutilized banking facilities amounted to RMB2,843.4 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 2021 and 31 December 2022, the outstanding guarantees for mortgage loans granted to customers of its pre-sold properties were approximately RMB463.4 million and RMB939.8 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 RMB12,364.2 million as at 31 December 2022, as compared to RMB12,320.9 million as at 31 December 2021. Our current assets remain stable. As at 31 December 2021 and 31 December 2022, aggregate cash and cash equivalents of the Group amounted to RMB2,155.1 million and RMB2,254.2 million, respectively, representing an increase of RMB99.1 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 RMB8,680.8 million as at 31 December 2022, as compared to RMB9,128.0 million as at 31 December 2021.

As at 31 December 2022, the Group had net current assets of RMB3,683.5 million as compared to RMB3,192.8 million as at 31 December 2021.

Capital Expenditures and Capital Commitments

Capital expenditure of the Group increased by RMB47.4 million from RMB47.7 million in 2021 to RMB95.1 million in 2022. 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 2021 and 31 December 2022, the Group's outstanding balances of its commitments related to property development expenditure and investment were RMB885.7 million and RMB857.0 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 2022, the total financial assets at fair value through profit and loss were approximately RMB732.0 million (31 December 2021: approximately RMB888.2 million). As of 31 December 2022, 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 2022, the Group did not have any material acquisition of subsidiaries, associates and joint ventures.

Material Disposals

For the year ended 31 December 2022, 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 2022, the Group had 8,207 full-time employees. The employment cost of the Group was approximately RMB825.6 million for the year ended 31 December 2022. 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 the 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 2022, the Group had pledged certain of its assets with a total net book value of RMB5,248.6 million for the purpose of securing outstanding bank borrowings, such assets included 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/pre-sale results of its respective property projects, maturity of loans and the progress of planned property development projects.

Interest Rate Risk

The Group is exposed to interest rate risks, primarily relating to its bank loans and other borrowings, which had an outstanding amount of RMB7,068.3 million as at 31 December 2022. 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 5.1% in 2021 to 4.8% in 2022, 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 2022, 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 2022, 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 2022 (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.

The Company has also adopted the new terms of reference of the remuneration committee of the Company on 23 March 2023 in light of the relevant updates in the Listing Rules, a copy of which is published on the websites of the Company and the Stock Exchange.

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 2022 to the date of this announcement, the change in the information of the Directors of the Company is as follows:

Mr. Liu Guilin became the Secretary of the Party Committee of China Electronics Financial Co., Ltd.* (中國電子財務有限責任公司) and ceased to be the chairman of the board of directors and the Secretary of the Party Committee of China Electronics International Information Service Co., Ltd.* (中國中電國際信息服務有限公司) on 27 December 2022.

Mr. Zhang Jie ceased to be a member of the Standing Committee of the Sanya Municipal Committee of the Seventh Chinese People's Political Consultative Conference in January 2022.

Mr. Qiu Hongsheng became an independent director of GRINM Semiconductor Materials Co. Ltd. (a company listed on the STAR Market of Shanghai Stock Exchange with stock code 688432) on 10 November 2022.

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 2022 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 2022.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**AGM**”) is expected to be held on 15 June 2023. 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\$2.5 cents (equivalent to approximately RMB2.19 cents) per share of the Company, approximately HK\$189.4 million in aggregate (equivalent to approximately RMB165.8 million) for the year ended 31 December 2022 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 26 June 2023, 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 2023.

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 12 June 2023 to 15 June 2023 (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 9 June 2023.

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 23 June 2023 to 26 June 2023 (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 21 June 2023.

PUBLICATION OF ANNUAL RESULTS AND 2022 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 2022 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, the People's Republic of China
23 March 2023

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 Mr. Qi Liang 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 = RMB0.8755 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*