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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)

DISCLOSEABLE TRANSACTION LOAN AGREEMENT

LOAN AGREEMENT

On 3 November 2022, Xianyang CEOVU (as lender), Xianyang Construction (as borrower) and Xianyang Investment (as guarantor) entered into the Loan Agreement, pursuant to which Xianyang CEOVU provided the Loan in the principal amount of RMB200 million to Xianyang Construction for a term of two years from 1 December 2022 to 30 November 2024, at an annualised interest rate of 7%.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Loan Agreement exceeded 5% but was less than 25%, the entering into of the Loan Agreement constituted a discloseable transaction of the Company and was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 3 November 2022, Xianyang CEOVU (as lender), Xianyang Construction (as borrower) and Xianyang Investment (as guarantor) entered into the Loan Agreement, pursuant to which Xianyang CEOVU provided the Loan in the principal amount of RMB200 million to Xianyang Construction for a term of two years from 1 December 2022 to 30 November 2024, at an annualised interest rate of 7%. The Loan was provided to Xianyang Construction (a company designated by the Management Committee for the land development) for the purpose of developing the project land for the Bio City Park in Xianyang, details of which are set out below.

THE LOAN AGREEMENT

A summary of the key terms of the Loan Agreement is as follows:

Date: 3 November 2022

Parties:

- (i) Xianyang CEOVU (as lender)
- (ii) Xianyang Construction (as borrower)
- (iii) Xianyang Investment (as guarantor)

Principal amount: RMB200,000,000

Term: Two years, from 1 December 2022 to 30 November 2024

Interest rate: Annualised interest rate of 7%

Repayment terms: (i) Repayment of the principal amount:

Xianyang Construction shall repay the entire principal amount to Xianyang CEOVU in one lump sum upon the maturity of the Loan, which falls on 30 November 2024.

(ii) Interest payment:

Interest shall accrue under the Loan Agreement until the date of actual full repayment of the Loan. The interest shall be payable annually. The interest accrued in each year shall be paid by Xianyang Construction before the end of the same year (31 December of such year).

Guarantee: Xianyang Investment shall provide guarantee (on a joint liability basis, in favour of Xianyang CEOVU) against the obligations of Xianyang Construction, including the payment obligations in respect of the principal amount, interest, damages, compensation, and expenses for the realisation of the claim (including legal fees, preservation fees, letter of guarantee fees, travelling expenses, and transportation fees) and all other fees payable by Xianyang Construction under the Loan Agreement.

Permitted uses:

The permitted uses of the Loan are as follows:

- (i) land development fees, which consist of two parts:
 - (a) the first part represents the fixed fees, comprising land compensation fee, resettlement compensation fee, seedling subsidy fee (if any), and ground fixtures compensation fee; and
 - (b) the second part represents the social security fund, farmland occupation tax, farmland water conservancy development fund, new construction land use fee, land management fee, farmland development fee, planning survey fee, land surveying and mapping fee, road and green-land acquisition fees, and other taxes and fees which shall be paid according to the relevant regulations prior to the land auction and listing; and
- (ii) the purchase of public service platform facilities, such as biomedical inspection and testing platform, biomedical professional incubator, instrument sharing platform, a model animal room, and park facilities.

Event of default:

- (i) If Xianyang Construction fails to repay the principal amount on time, Xianyang Construction agrees to pay overdue interest calculated based on the unrepaid principal from the overdue date at four (4) times of the one-year loan prime rate (LPR) until the date of actual repayment, and bear all costs incurred by Xianyang CEOVU in the enforcement of its rights (including but not limited to legal fees, preservation fees, letter of guarantee fees, transportation fees, travelling expenses, appraisal fees, etc.).
- (ii) If Xianyang Construction fails to make the interest payment on time, it shall bear the overdue interest calculated in accordance with the sub-paragraph (i) above.
- (iii) If Xianyang Construction fails to apply the Loan in accordance with the permitted uses set out above, Xianyang CEOVU has the right to immediately recover the Loan, and Xianyang Construction shall pay Xianyang CEOVU damages in the amount of 10% of the Loan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of the Loan Agreement (i) Xianyang Construction and its ultimate beneficial owner were third parties independent of the Company and its connected persons; and (ii) Xianyang Investment and its ultimate beneficial owner were third parties independent of the Company and its connected persons. The Loan was financed by the internal resources of the Group.

REASONS FOR AND BENEFITS OF THE LOAN AGREEMENT

Xianyang CEOVU (being the lender under the Loan Agreement) was a joint venture project company formed by Xianyang Investment and Western Zhigu (a 50% indirectly owned subsidiary of the Company) for the purpose of developing an industrial park with a focus on bio-medical industry located in Xianyang (the “**Bio City Park**”) based on a cooperation agreement entered into between the Management Committee of the High-tech Industrial Development Zone of Xianyang City* (咸陽高新技術產業開發區管理委員會) (the “**Management Committee**”, which owns 83.9% equity interest of Xianyang Construction) and the Company in July 2022. Pursuant to the aforesaid cooperation agreement, it was intended that the early-stage fee for the planned area of the Bio City Park in the amount of RMB200 million shall be funded in the form of a term loan of two years with an annualised interest rate of 7% granted by the new project company (i.e. Xianyang CEOVU), and such funds shall be used for the purposes including project land development and related tax expenses, and the purchase of public service platform facilities. Accordingly, Xianyang CEOVU granted the Loan to Xianyang Construction (a company designated by the Management Committee for the land development), with a view to developing the project land of the Bio City Park.

The terms of the Loan Agreement were arrived at after arm's length negotiation between the relevant parties, having regard to (i) the abovementioned development background of the Bio City Park, (ii) the annualised interest rate of 7% being no less than the then prevailing loan prime rates in the PRC, and (iii) the two years term of the Loan being in line with the estimated time for the land development process.

In light of the above, the Directors consider that the terms of the Loan Agreement and the transaction contemplated thereunder were fair and reasonable and entered into on normal commercial terms or better after arm's length negotiations between the relevant parties and in the ordinary and usual course of business of the Group, and were in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON XIANYANG CONSTRUCTION AND XIANYANG INVESTMENT

Xianyang Construction

Xianyang Construction is a company incorporated in the PRC with limited liability and its scope of business includes, among others, urban infrastructure construction, land development and real estate development.

It is owned as to (i) approximately 83.9% by the Management Committee; (ii) approximately 8.1% by Xianyang Investment; (iii) approximately 4.4% by Xianyang Financial Investment Holding Co., Ltd.* (咸陽市財政投資控股有限責任公司), which is wholly owned by the Finance Bureau of Xianyang City* (咸陽市財政局); and (iv) approximately 3.5% by China Agricultural Development Key Construction Fund Co., Ltd.* (中國農發重點建設基金有限公司), which is wholly owned by Agricultural Development Bank of China (中國農業發展銀行).

Xianyang Investment

Xianyang Investment is a company incorporated in the PRC with limited liability and its scope of business includes, among others, investment activities, venture capital and enterprise management.

It is wholly owned by the High-tech Zone Branch of the Finance Bureau of Xianyang City* (咸陽市財政局高新區分局). Although Xianyang Investment has since the establishment of Xianyang CEOVU been a holder of 40% interest in Xianyang CEOVU, given that Xianyang CEOVU has since the date of Loan Agreement been an insignificant subsidiary of the Company pursuant to Rule 14A.09 of the Listing Rules, Xianyang Investment does not constitute a connected person of the Company.

INFORMATION ON XIANYANG CEOVU AND THE GROUP

Xianyang CEOVU is a company established in the PRC and is principally engaged in the development of the Bio City Park. It is owned as to 40% by Xianyang Investment and 60% by Western Zhigu (being a 50% indirectly owned subsidiary of the Company). Xianyang CEOVU is an indirect non-wholly owned subsidiary of the Company.

The Group is an industrial park integrated operation service provider in the PRC. Leveraging on the industrial resources of China Electronics Corporation Limited* (中國電子信息產業集團有限公司) and based on integrated life cycle operation services of the Group, the Group constructed an industrial medium that is “State enterprise-led and innovated by joint efforts by small, medium and big enterprises” to establish an industrial resource sharing platform that carries features such as industry clustering, intelligent service and investment networks.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) in respect of the Loan Agreement exceeded 5% but was less than 25%, the entering into of the Loan Agreement constituted a discloseable transaction of the Company and was subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

At the time of entering into the Loan Agreement, the relevant management considered that the Loan was a payment made for the early-stage land development of the Bio City Park, which was made in the ordinary and usual course of industrial park development (being one of the principal businesses of the Group), and therefore, the Company did not publish an announcement in respect of the Loan Agreement and the transaction contemplated thereunder pursuant to the applicable provisions of

Chapter 14 of the Listing Rules. After re-visiting the applicable provisions of the Listing Rules, the Company considers that it had not properly identified the Listing Rules implications of the Loan Agreement and the transaction contemplated thereunder and now took steps to comply with the relevant disclosure requirements under the Listing Rules.

The Company takes its internal control efforts and its obligations under the Listing Rules very seriously, and has since issued an internal notice to all management staff within its PRC subsidiaries clarifying the proper classification of the provision of financial assistance and stipulating stringent internal control procedures particularly in the areas of, among others, notifiable transactions and corporate governance measures in order to formulate and impose measures to remedy the deficiency identified with a view to avoiding occurrence of similar incidents. The Company has also adopted more stringent internal policy requiring all such transactions be run through and evaluated by the legal office and financial department of the Company before entering into such transactions.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

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| “Board” | the board of Directors |
| “Bio City Park” | has the meaning ascribed to it under the section “Reasons for and benefits of the Loan Agreement” in this announcement |
| “Company” | China Electronics Optics Valley Union Holding Company Limited, a company incorporated in Cayman Islands with limited liability whose issued Shares are listed on the main board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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|-------------------------|---|
| “Loan” | the term loan provided by Xianyang CEOVU to Xianyang Construction under the Loan Agreement in the principal amount of RMB200 million for a term of two years from 1 December 2022 to 30 November 2024, at an annualised interest rate of 7% |
| “Loan Agreement” | the loan agreement entered into between Xianyang CEOVU (as lender), Xianyang Construction (as borrower) and Xianyang Investment (as guarantor) on 3 November 2022 |
| “Management Committee” | has the meaning ascribed to it under the section “Reasons for and benefits of the Loan Agreement” in this announcement |
| “PRC” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Western Zhigu” | Xianyang China Electronics Western Zhigu Industrial Co., Ltd.* (咸陽中電西部智谷實業有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company |
| “Xianyang CEOVU” | Xianyang CEOVU Bio Tech Industrial Park Development Co., Ltd.* (咸陽中電光谷生物產業發展有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company |
| “Xianyang Construction” | Xianyang High-Tech Construction and Development Co., Ltd.* (咸陽高科建設開發有限責任公司), a company established in the PRC with limited liability |
| “Xianyang Investment” | Xianyang High-tech Industry Development Investment Co., Ltd.* (咸陽高新產業發展投資有限公司), a company established in the PRC with limited liability |
| “%” | per cent. |

* *For identification purposes only*

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

Wuhan, Hubei, the People's Republic of China
3 June 2024

As at the date of this announcement, the directors of the Company are Mr. Liu Guilin (Chairman), Mr. Xiang Qunxiong, Mr. Zhang Jie, Ms. Zeng Yumei 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).